

John Zerwas
Chairman



Oscar Longoria
Vice Chairman

**TEXAS HOUSE OF REPRESENTATIVES
COMMITTEE ON APPROPRIATIONS**

AGENDA

FEBRUARY 6, 2019
7:30 AM
CAPITOL EXTENSION, E1.030

I. CALL TO ORDER

II. CHAIRMAN'S OPENING REMARKS

III. CHILD PROTECTIVE SERVICES

- Hank Whitman, Commissioner, Department of Family and Protective Services
- Kristene Blackstone, Associate Commissioner for Child Protective Services, Department of Family and Protective Services
- Audrey Carmical, General Counsel, Department of Family and Protective Services
- Kez Wold, Associate Commissioner for Adult Protective Services, Department of Family and Protective Services

IV. STATE HOSPITALS

- Dr. Courtney N. Phillips, Executive Commissioner, Health and Human Services Commission
- Mike Maples, Deputy Executive Commissioner for the Health & Specialty Care System, Health and Human Services Commission

V. MEDICAID

- Stephanie Muth, State Director of Medicaid, Health and Human Services Commission
- Trey Wood, Chief Financial Officer, Health and Human Services Commission

VI. HEALTH AND HUMAN SERVICES - CONTRACTING

- Victoria Ford, Chief Policy Officer and Interim Chief Operating Officer, Health and Human Services Commission

VII. CLOSING REMARKS

VIII. ADJOURN



Texas Department of
Family and Protective Services

House Appropriations Committee Hearing

Commissioner Hank Whitman

Kristene Blackstone, Associate Commissioner for CPS

Audrey Carmical, General Counsel

Kez Wold, Associate Commissioner

February 6, 2019

FY 2018-19 CPS Accomplishments

December 2016 to December 2018

Caseworker Turnover Decreased

- Investigations: by 11% from 33.5% to 29.7%
- Family Based Safety Services: 20% from 25.4% to 20.4%
- Conservatorship: by 40% from 24.3% to 14.7%

Average Daily Caseloads Per Worker Decreased

- Investigations: by 20% from 17.2 to 13.8
- Family Based Safety Services: by 36% from 15.8 to 10.1
- Conservatorship: by 9% from 29.1 to 26.4

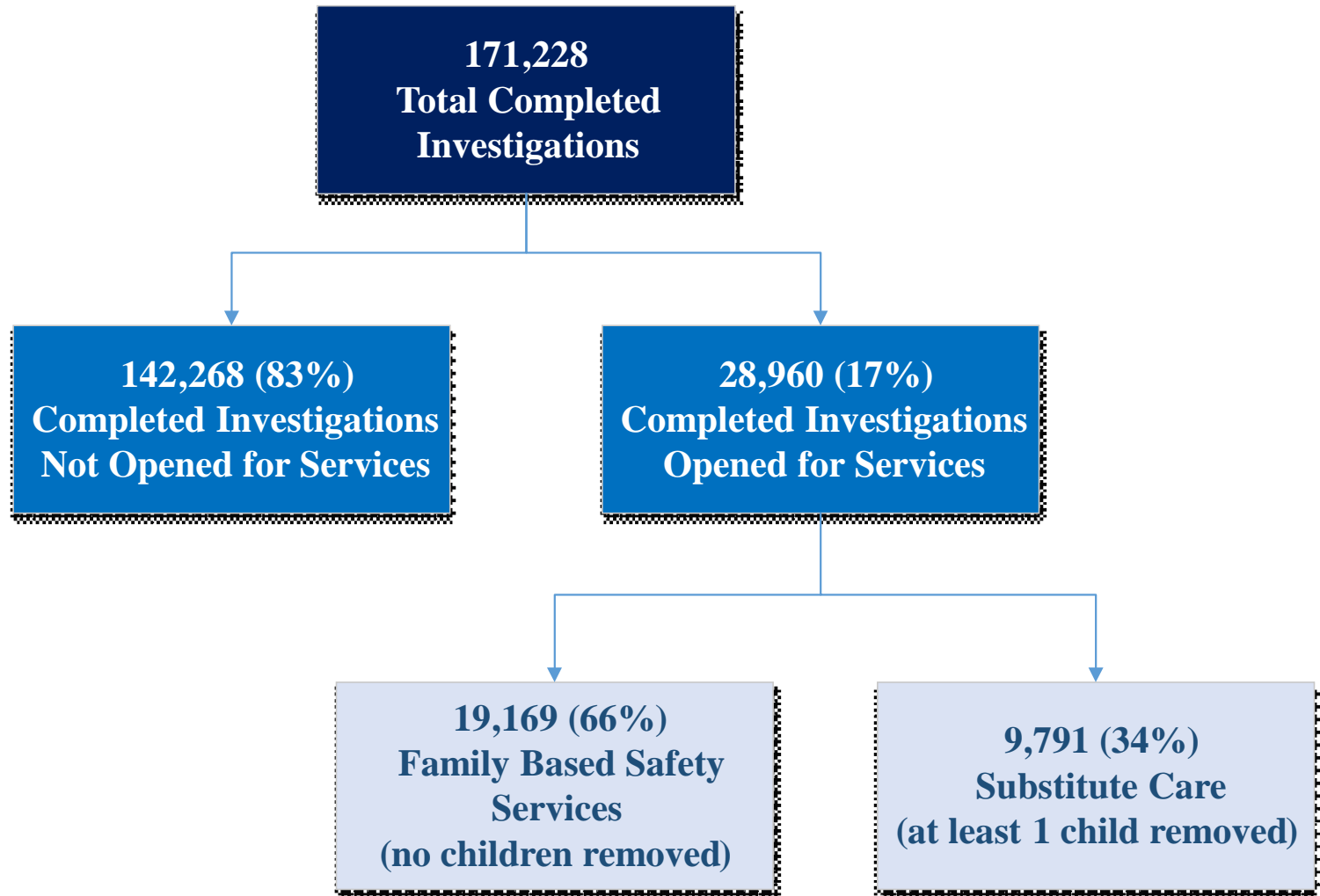
Preparation for Adult Living Completion: increased by 37% from 61.3% to 83.7%

Kinship placements: increased by 2% from 44.6% to 45.3%

Faith partnerships: increased by 158% from 605 to 1,559

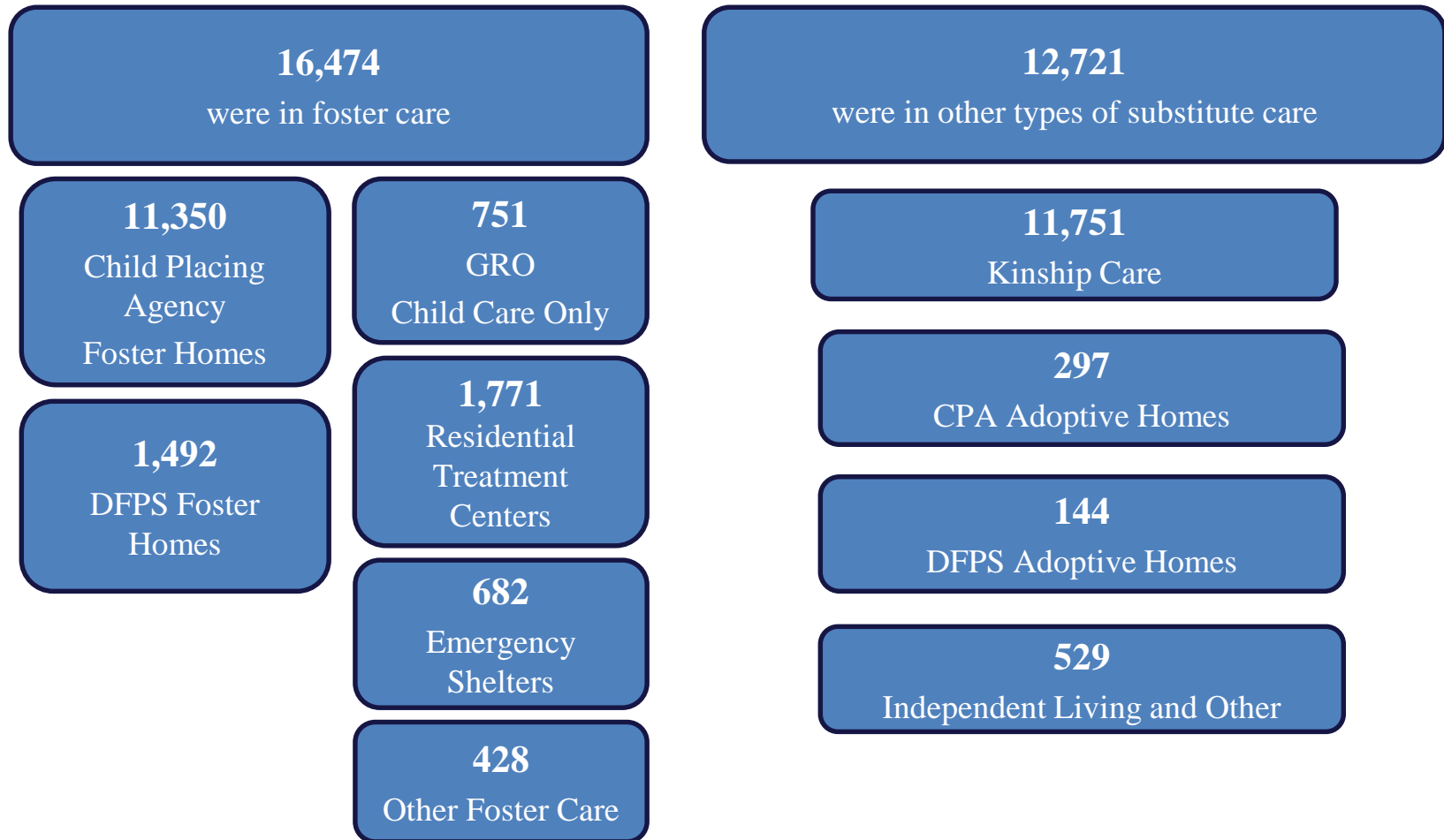


At-A-Glance Fiscal Year 2018



Substitute Care

Of the 29,195 children in care (ages 0-17) at the end of Dec. 2018 Statewide:



Community Based Care

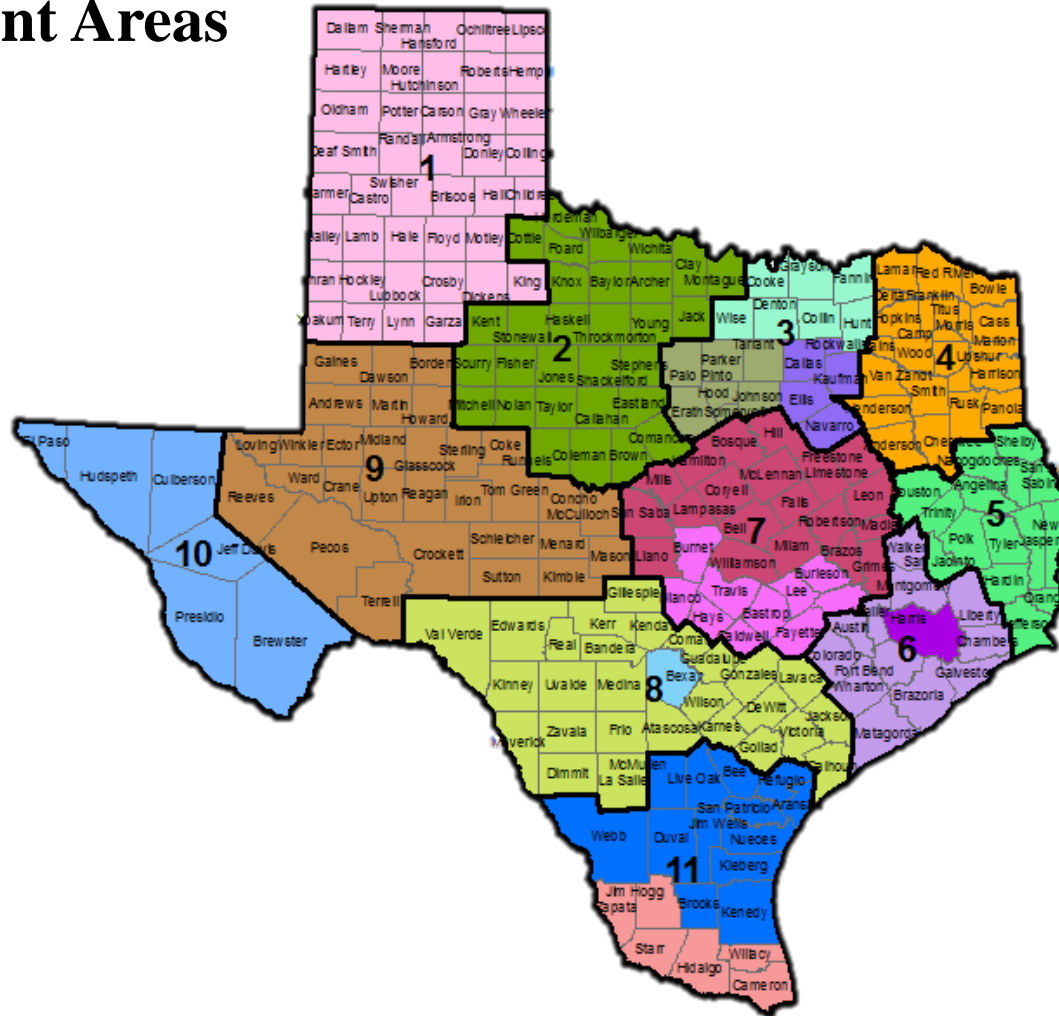
CBC is a community-based approach to meeting the individual and unique needs of children, youth, and families.

Within a geographic service area, a Single Source Continuum Contractor (SSCC) is responsible for finding foster homes or other living arrangements for children in state care and providing them a full continuum of services.

- **Stage I** includes the provision of paid foster care placement services;
 - **Stage II** includes the provision of substitute care placement and case management services; and
 - **Stage III** includes holding the SSCC financially accountable through the use of incentives and remedies for the timely achievement of permanency for served children beginning 18 months after case management services have transferred.
-



Catchment Areas



Community Based Care

Catchment Area	Active Date	Funding Status
Region 3B: Fort Worth (Stage I)*	FY 2014	Funded since FY 14-15
Region 3B: Fort Worth (Stage II)	FY 2020	Included in Exceptional Item
Region 2: Abilene/Wichita Falls (Stage I)*	FY 2019	Funded since FY 18-19
Region 2: Abilene/Wichita Falls (Stage II)	FY 2020	Included in Exceptional Item
Region 8A: Bexar County (Stage I)*	FY 2019	Funded since FY 18-19
Region 8A: Bexar County (Stage II)	FY 2020	Included in Exceptional Item
Region 1: Lubbock/Amarillo (Stage I)	FY 2020	Included in Exceptional Item
Region 1: Lubbock/Amarillo (Stage II)	FY 2021	Included in Exceptional Item
Region 8B: 24 Counties surrounding Bexar (Stage I)	9/1/2019	Included in Exceptional Item
Region 8B: 24 Counties surrounding Bexar (Stage II)	FY 2021	Included in Exceptional Item
Catchment Area TBD (Stage I)	FY 2020	Included in Exceptional Item
Catchment Area TBD (Stage I)	FY 2021	Included in Exceptional Item
Catchment Area TBD (Stage I)	FY 2021	Included in Exceptional Item
Catchment Area TBD (Stage II)	FY 2021	Included in Exceptional Item

*currently serving children

What is FFPSA?

FFPSA aims to decrease the use of congregate care settings, prevent additional entries into foster care, encourage and support kin placements, elevate the quality of specific types of prevention services provided to families with children at risk of entering foster care, and allow children to be placed with their parents in substance abuse treatment facilities.

FFPSA establishes several new opportunities for states. While Texas will no longer be able to use Title IV-E funds for eligible children in most types of congregate care settings that currently exist in Texas, FFPSA allows for Title IV-E match for children placed limited specialized settings for specific populations. FFPSA allows for unlimited federal match if the state chooses to invest in approved evidence-based prevention services for families involved with Family-Based Safety Services (FBSS). Texas currently utilizes free or no cost community services for many FBSS cases and would need additional state investment in order to pull down federal match. FFPSA also allows for some federal match for certain evidence-based, approved Kinship Navigator programs. These programs can serve kin caregivers outside of foster care through expanded 211 services and case management for families.

Texas cannot yet move forward with implementation of FFPSA, as it is still awaiting guidance from ACF and additional information to determine what immediate resources would be required to implement FFPSA. Texas could use the 86th Interim to study the implementation options and potential costs for FFPSA and inform the 87th Legislature of options for the state. Texas has already been working diligently to analyze FFPSA and has a solid foundation and understanding of this complex bill. DFPS could consider outcomes in other states that have implemented like programs, and determine the efficacy of the approved, evidence-based prevention programs, costs and outcomes for serving children in QRTPs, benefits of provider accreditation, and effects on child welfare outcomes. DFPS could solicit input from child care and service providers, as well as stakeholders. The state could consider the continued decline in the percentage of children eligible for Title IV-E as costs and benefits are analyzed. This study could also include consideration of the actions taken by the Texas Legislature to fulfill the goals of FFPSA.

Section Requirements

Section	Required/Optional
50711- Prevention Services	Optional
50712-Substance Abuse Services	Optional
50713-Kinship Navigator Program	Additional Information Required, UH Study
50721-Family Reunification Services	Additional Information Required
50722-ICPC/NEICE System	Required, seeking grant opportunity
50731-Model Licensing Standards: Foster Homes	Required, awaiting federal guidance
50732-Fatality Prevention Plan	Required, In Compliance
50733-Title IV-E Name Change	Additional Information Required
50741-QRTPs/Accreditation	Optional
50742-30-day Assessments	Optional
50743-Prevent Inappropriate Diagnoses	Required, In Compliance
50744-Reporting Requirements	Additional Information Required
50745-Background Check Requirements	Required, In Compliance
50751-Funding Supporting and Retaining Foster Families	Additional Information Required
50753-Chafee Funding	Additional Information Required
50771-Data Exchange Standards	Additional Information Required
50781-Delinking Adoption Assistance Eligibility	Additional Information Required

MD v Abbott

-
- 3/29/2011 – Children’s Rights filed a federal class action lawsuit against the State of Texas.
 - 12/1/2014 – Trial began in Corpus Christi, TX.
 - 12/17/2015 – The District Court ruled in favor of Plaintiffs.
 - 3/21/2016 – Special Masters appointed.
 - 11/4/2016 – The Special Masters filed their initial recommendations.
 - 12/4/2017 – The Special Masters submitted a 138-page, 98-recommendation Implementation Plan.
 - 1/19/2018 – District Court entered Final Injunction against Texas incorporating, with minor changes, the entirety of the special master’s plan. **Stay Granted.**
 - Spring 2018: appellate briefing and arguments.
 - 10/18/2018 - The 5th Circuit Court of Appeals issued opinion, with limited remand to District Court.
 - 11/20/2018 – The District Court entered an Order incorporating the Fifth Circuit’s modifications and adding additional provisions.
 - 11/28/2018 – Texas filed a Notice of Appeal with the District Court and the Fifth Circuit regarding certain modifications in the District Court’s November order that exceed 5th Circuit’s ruling.
 - 1/14/19 - Texas filed its brief on January 14, 2019. Plaintiffs’ brief is due February 4, 2019 and Texas’ response brief is due February 11, 2019.
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Adult Protective Services

APS conducts investigations of alleged abuse, neglect and exploitation (ANE) of persons age 65+ and persons with disabilities living in the community. APS also provides protective services to alleviate ANE.

APS Investigates:

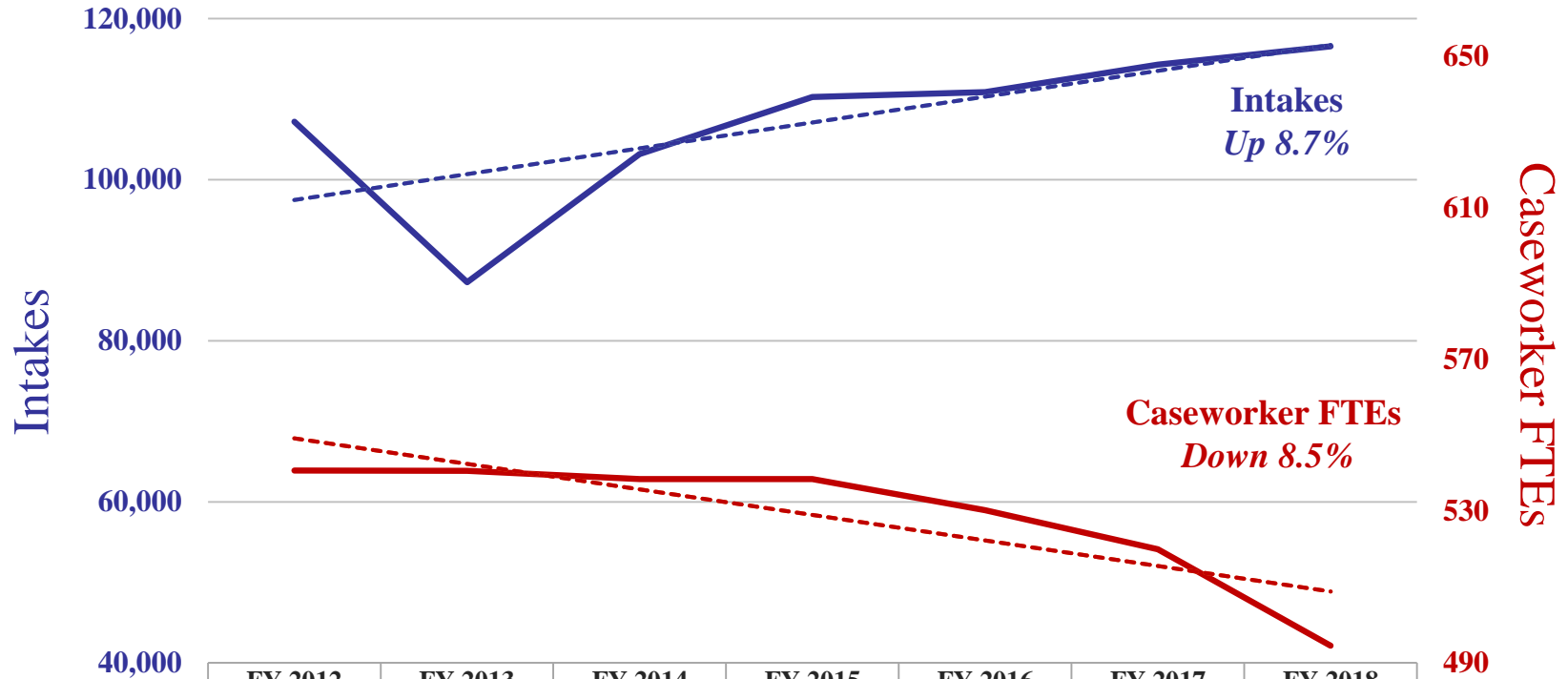
- Individuals in state of self-neglect;
- Caretakers;
- Family members;
- Individuals who have an ongoing relationship with alleged victim; and
- Certain paid providers.

APS **does not** investigate abuse, neglect or exploitation, including financial exploitation, by strangers.



Adult Protective Services

APS Intakes and Caseworker FTEs

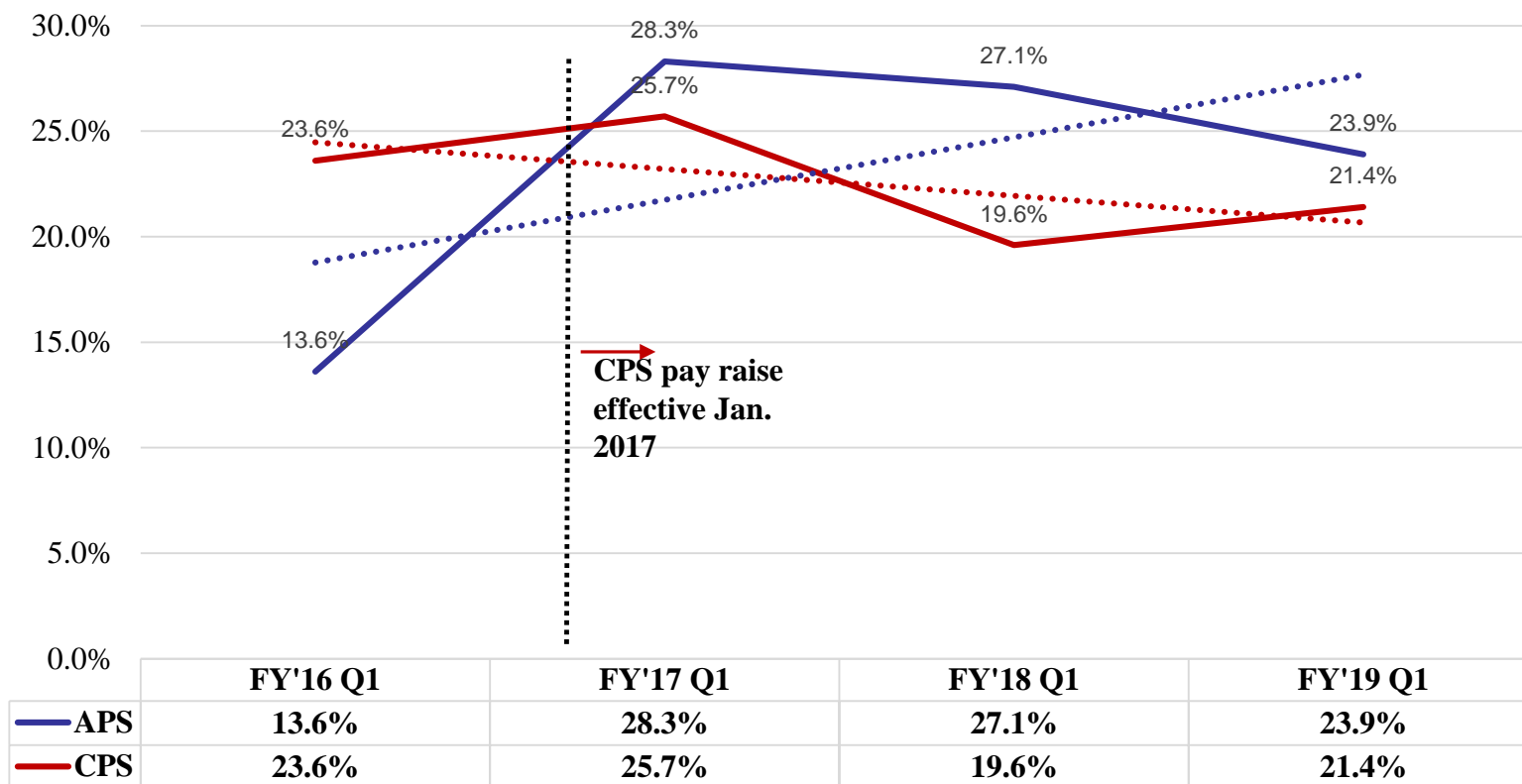


	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Intakes	107,203	87,260	103,204	110,277	110,867	114,309	116,580
Caseworker FTEs	541	541	539	539	530	520	495



Caseworker Turnover APS vs. CPS

Annual Caseworker Turnover





State Hospital Redesign

Mike Maples

**Deputy Executive Commissioner
Health & Specialty Care System**



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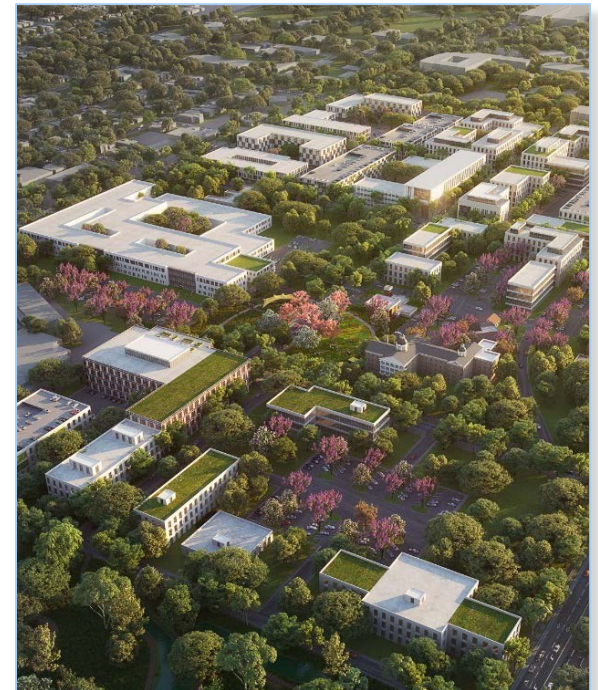
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Overview



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- Rider Authorization
- Recommendations for Further Enhancement
- 2020-21 Planning



Rider Authorization

Senate Bill 1, 85th, Article II, Health and Human Services Commission (HHSC), Rider 147:

- Three phased-approach to improve the state hospital system
- Authorized \$300 million for Phase I projects
- Required Comprehensive Plan with emphasis on:
 - Academic partnerships
 - Improving behavioral health service delivery

Goals include:

- Ensure patient safety
- Ensure care in an appropriate setting
- Expand maximum security capacity
- Decrease waiting lists

Requires project approval from Legislative Budget Board (LBB) and Governor





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Phase I

Hospitals Addressed

- Austin State Hospital: replacement
- San Antonio State Hospital: replacement
- Rusk State Hospital: unit construction
- Continuum of Care Campus, Houston: new construction
- Kerrville State Hospital: renovation
- San Antonio State Hospital: renovation

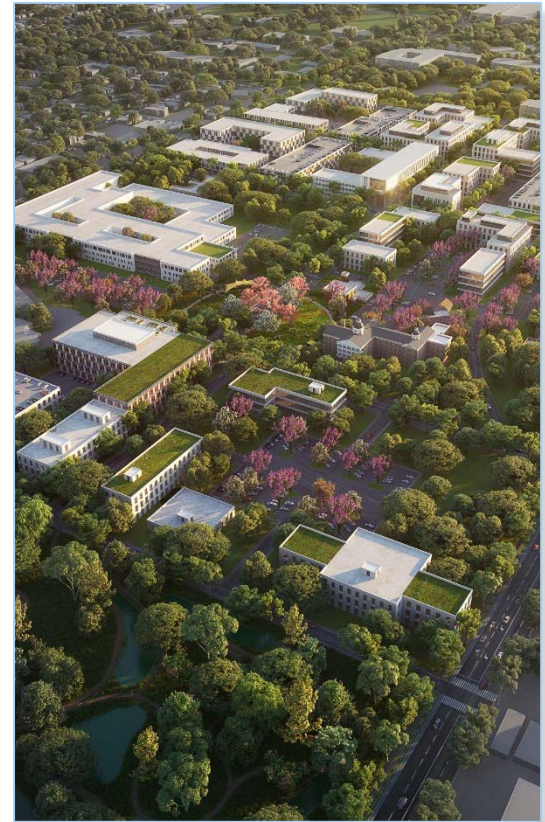
Other Projects Considered

- Dallas/Fort Worth
- Panhandle/Northwest Texas

Austin State Hospital Replacement



- New 240-bed hospital on current campus
- Partner: University of Texas (UT) Dell Medical School
- Pre-planning (\$2.5M):
Feb – Dec 2018
- Planning (\$13M):
Dec 2018 – Nov 2020
- Construction* (\$283M):
Oct 2019 – Feb 2023

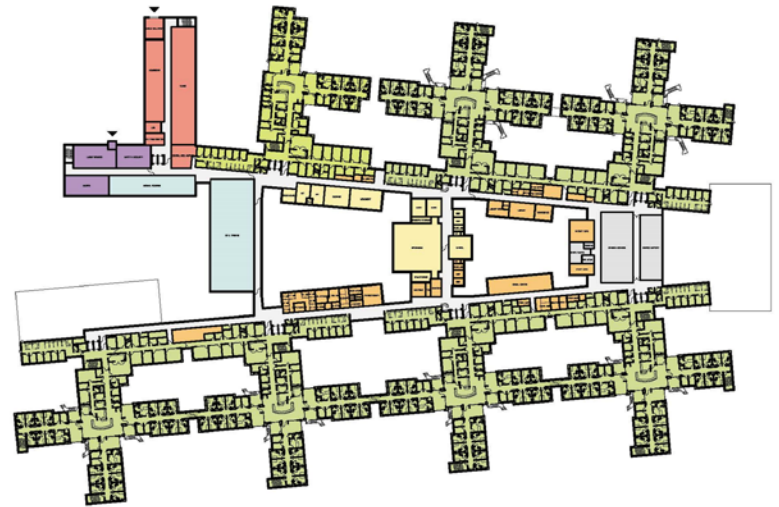


* Construction requires additional appropriations from the 86th Texas Legislature

San Antonio State Hospital Replacement



- New 300-bed hospital on current campus
- Partner: UT Health Science Center – San Antonio
- Pre-planning (\$1M): Feb – Dec 2018
- Planning (\$13.5M): Dec 2018 – Nov 2020
- Construction* (\$323M): Oct 2019 – Nov 2022



* Construction requires additional appropriations from the 86th Texas Legislature

Rusk State Hospital



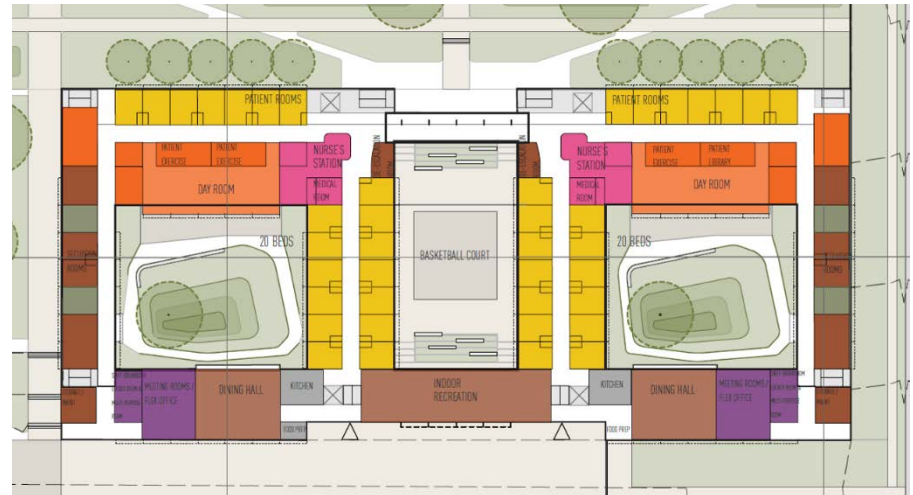
New 100 bed Maximum Security Unit (MSU)

- Planning (\$4.5M): Mar 2019 – Feb 2020
- Construction (\$87M): Oct 2019 – Jan 2022

New 100 bed non-MSU

- Planning (\$4.5M):
Mar 2019 – Feb 2020
- Construction* (\$90.1M):
Dec 2021 – Feb 2024

New administration building: \$7.2M**



* Construction requires additional appropriations from the 86th Texas Legislature

** Funded by appropriations dedicated to the repair and renovations at State Supported Living Centers (SSLCs) and state hospitals

Harris County Continuum of Care Campus



- New 240-bed hospital adjacent to Harris County Psychiatric Center
- Partner: UT-Health Houston
- Planning (\$8.5M): Aug 2018 – Aug 2019
- Construction (\$116.5M): June 2019 – Nov 2021



Kerrville State Hospital



- 70 new maximum security unit (MSU) beds
- Planning (\$1.5M):
March 2018 – Feb 2019
- Construction (\$29M):
June 2019 – Apr 2021
- Annual operations:
\$14.5M



BUILDING 604 PROGRAMMING UNIT
DESIGN DEVELOPMENT

GRAPHIC SCALE
0 5' 10' 20'
PLANS PROVIDED
DOCUMENTS ARE INCOMPLETE AND MAY NOT BE USED FOR REGULATORY APPROVAL.
PERMIT: ON CONSTRUCTION: BETHANETTE HODGKINSON, TX #15847

San Antonio State Hospital Renovation



- 40 new non-MSU beds
- Planning (\$0.5M): Feb – Dec 2018
- Construction (\$11.0M): May 2019 – Dec 2020
- Annual operations: \$8.3M



FRONT ELEVATION

chesneymoralespartners, inc.
architectural interior design
landscape architecture
civil mechanical electrical plumbing
san antonio, texas 78205
761.222.2222
cmp

Pending Projects

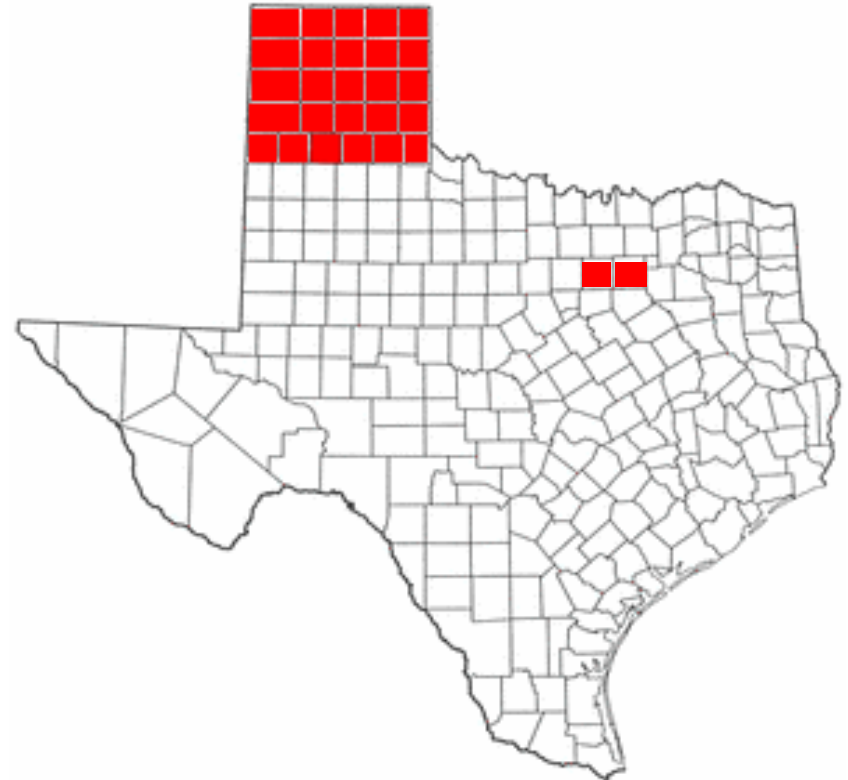


Pre-planning for new hospitals in:

- Dallas/Fort Worth (\$1M)
- Panhandle (\$1M)

Possible partners:

- UT Southwestern
- Texas Tech University Health Science Center



Recommendations

1. Develop or Optimize Tiered Residential Transition Options
2. Revise Statutes Related to Admissions
3. Initiate Jail Consultation
4. Establish Interdisciplinary Team
5. Construct New State Hospitals



2020-21 Funding Needs

Ongoing Projects from Phase I

ESTIMATES

Operations for Kerrville and San Antonio SHs (EI 7)

KSH: \$7,934,075 | SASH: \$7,580,300

\$15,514,375

Construction at Austin, San Antonio, Rusk SHs (EI 8)

ASH: \$282,680,000 | SASH: \$323,264,360 | RSH: \$90,054,363

HHSC coordination and oversight: \$5,157,372

\$701,156,095

Remaining Phase I Projects Total

\$716,670,470

New Projects

ESTIMATES

Pre-planning, Planning at Wichita Falls and Terrell (EI 8)

Pre-planning: \$1,000,000/hospital | Planning: \$16,500,000/hospital

\$35,000,000

Planning new hospitals in Dallas and the Panhandle (EI 8)

*Planning: \$16,500,000/hospital**

\$33,000,000

New Phase II Projects total

\$68,000,000

2020-21 Total Request (All Projects)

\$784,670,470



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* This amount depends on Phase I pre-planning funds being approved



Medicaid Overview

Trey Wood,
Chief Financial Officer

Stephanie Muth,
State Medicaid Director



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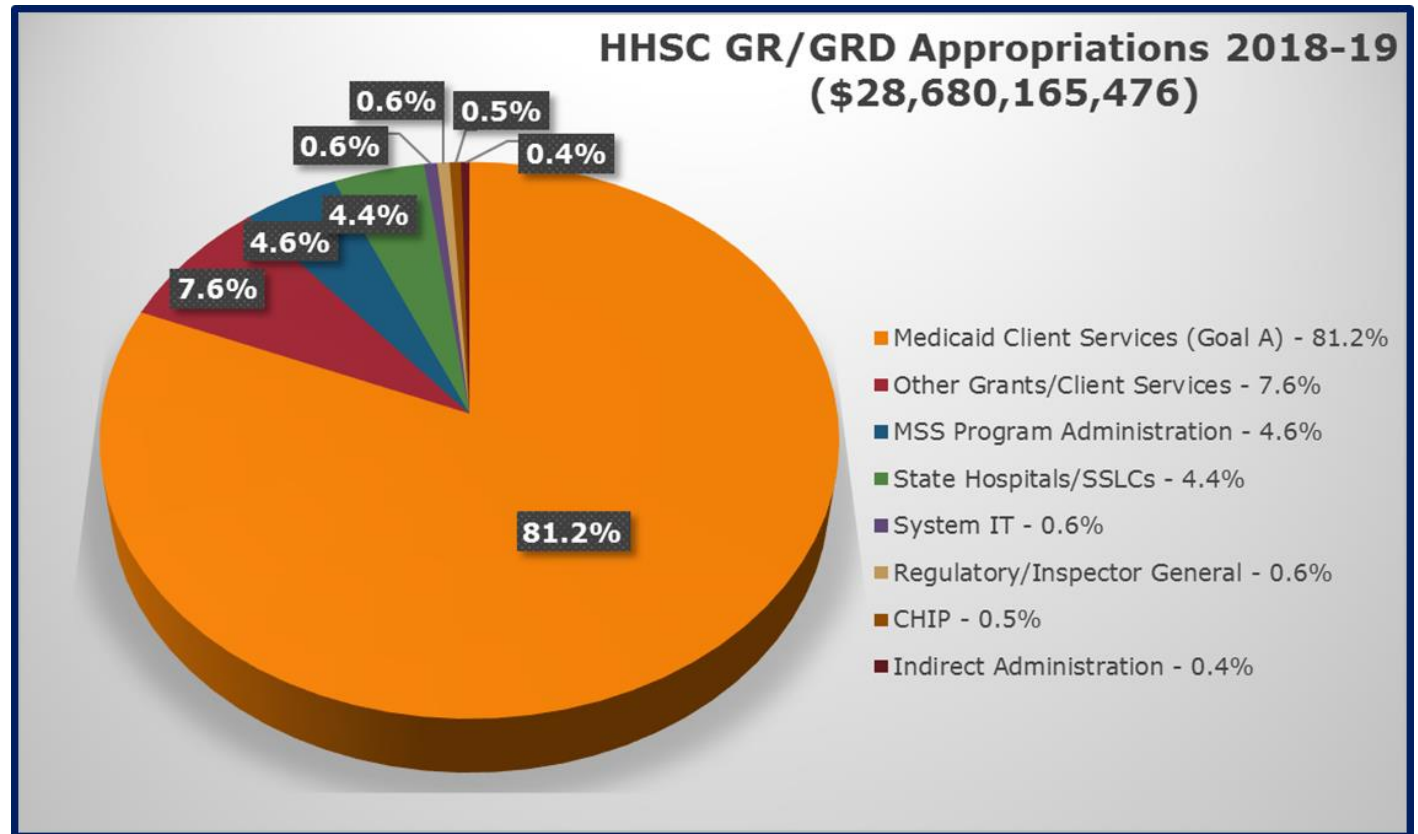
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HHSC Budget Overview

Majority of budget is allocated to Medicaid client services



- Other Grants/Client Services include TANF, Women's Health, MHBG, ECI, etc.
- MSS Program Admin includes salary, travel, and contracts (Eligibility staff, TIERS, TMHP, etc.)
- State Supported Living Centers appropriations include Medicaid funding.
- Indirect Administration includes PCS, FSD, GR/Comms, Legal, Internal Audit, Regional Support, etc.



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Key Budget Drivers

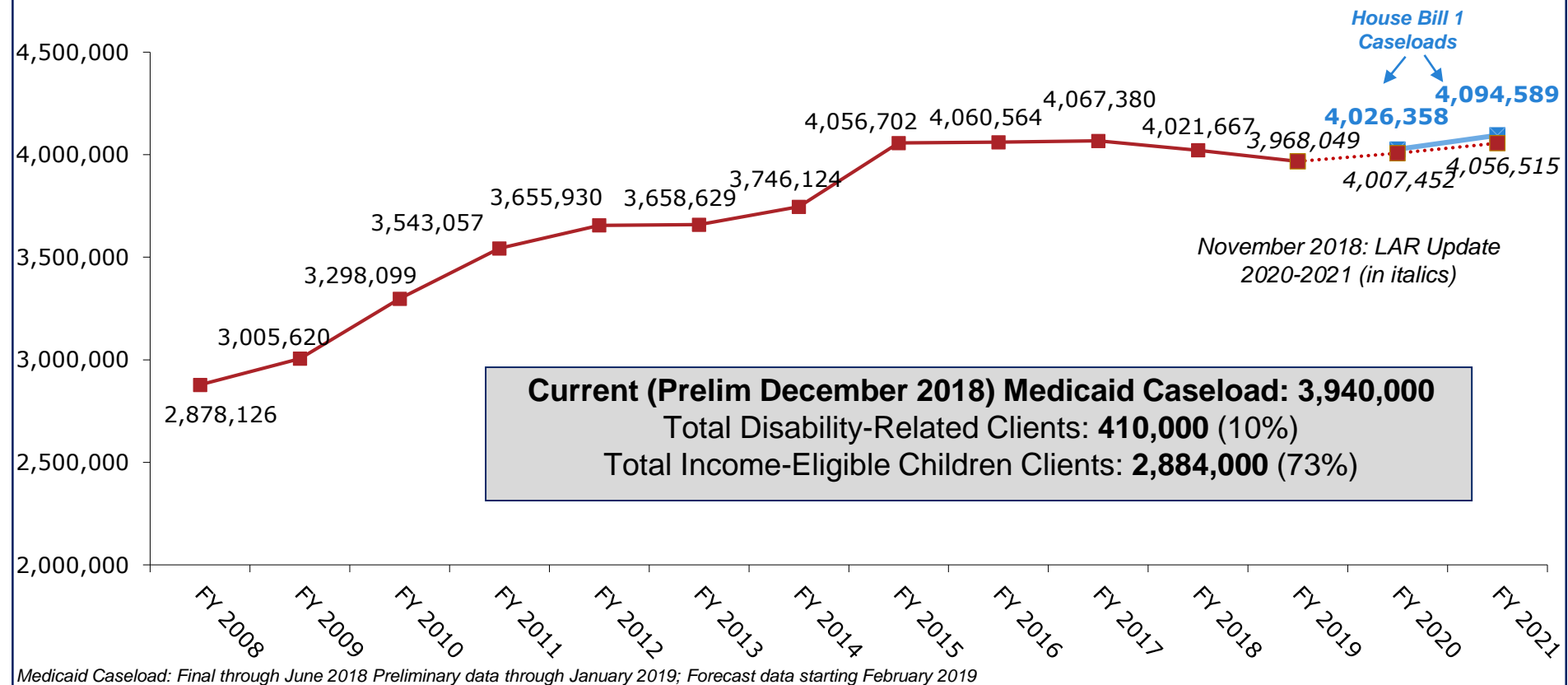
- HHSC projects caseloads to increase by about 1 percent each year of the biennium for Medicaid and 4.5 percent for CHIP
- Acute care Medicaid cost growth ranges between 2.4 percent and 5.5 percent each year of the biennium
- Cost growth is impacted by:
 - Utilization trends
 - Benefit changes
 - Population acuity factors
 - Aging and births
 - Evolutionary and revolutionary advances in medicine

Medicaid Caseload Trends



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Historical and Estimated Caseloads Compared With 86th Legislature Appropriated Caseloads for Fiscal Years 2008 - 2021





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Medicaid Federal Funds

Medicaid is an entitlement program

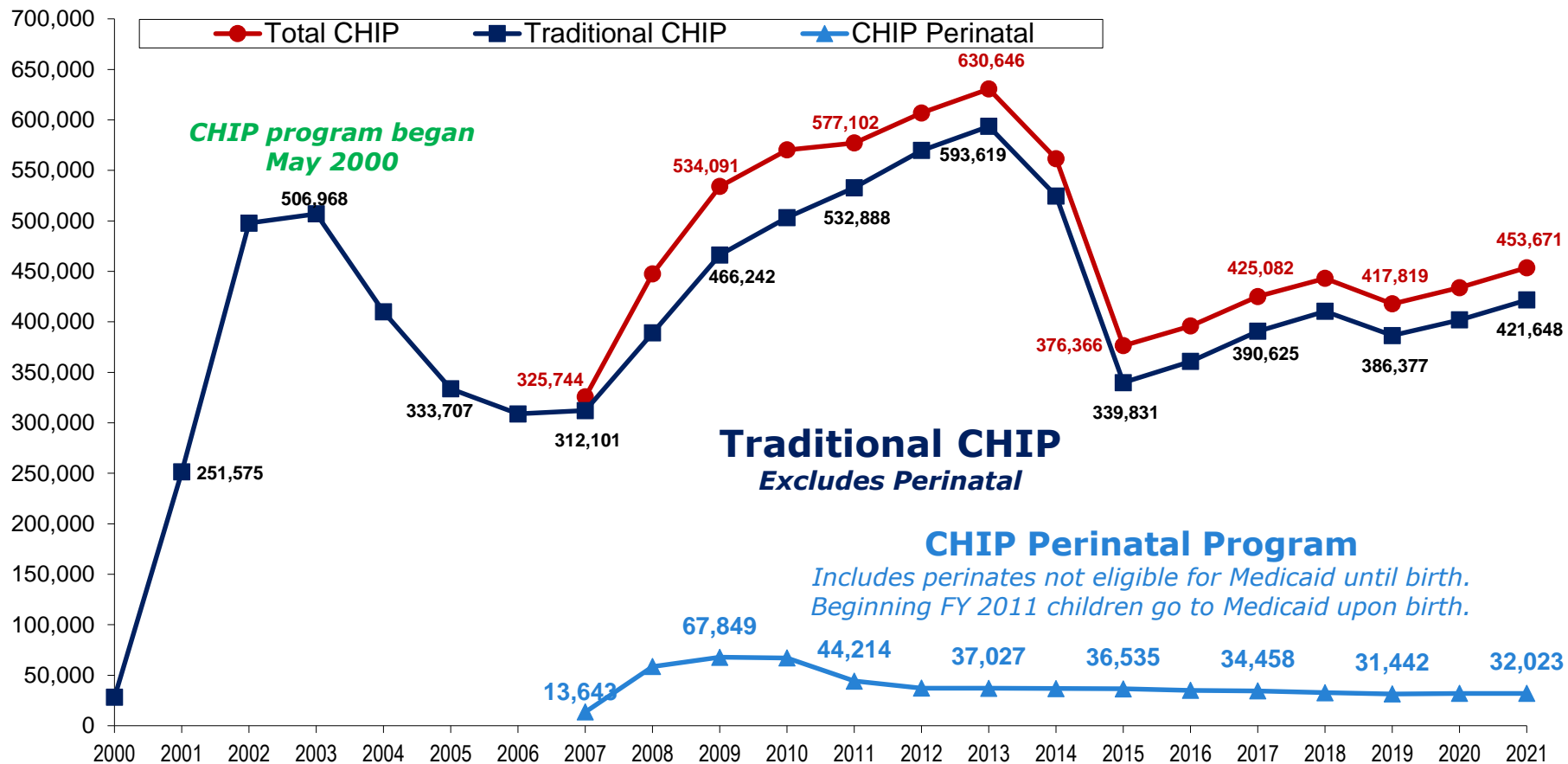
There is no cap on federal funding to provide eligible services to eligible persons

- Federal Medical Assistance Percentage (FMAP) is derived from each state's average per capita income
- CMS updates the rate annually
- For federal fiscal year (FFY) 2019, Texas' Medicaid FMAP is 58.19 percent
 - The FFY is on a different calendar cycle than the state fiscal year (SFY)
 - The SFY FMAP rate is 58.08 percent (one of month the FFY 2018 rate of 56.88 and 11 months of FFY 2019 rate of 58.19 percent)

CHIP Caseload Trends



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CHIP caseload: Data for FY 2018 is estimated; FY 2019-21 is projected based on November 2018 forecasts.



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CHIP Federal Funds

CHIP is not an entitlement program

Federal funds are capped – when a state's CHIP funds are spent, no more are available

- Like Medicaid, the match rate is derived from each state's average per capita income and changes annually
- States are allotted a portion of the total federal funds based on a formula then receive federal matching funds up to that allotment
- CHIP has a more favorable match rate than Medicaid
- FFY 2019 match rate is 93.73 percent
- The Affordable Care Act increased the match rate for:
 - Oct. 2015 – Sept. 2019 by 23 percent
 - FFY 2020 by 11.5 percent
 - CHIP resumes its standard match rate in FFY 2021

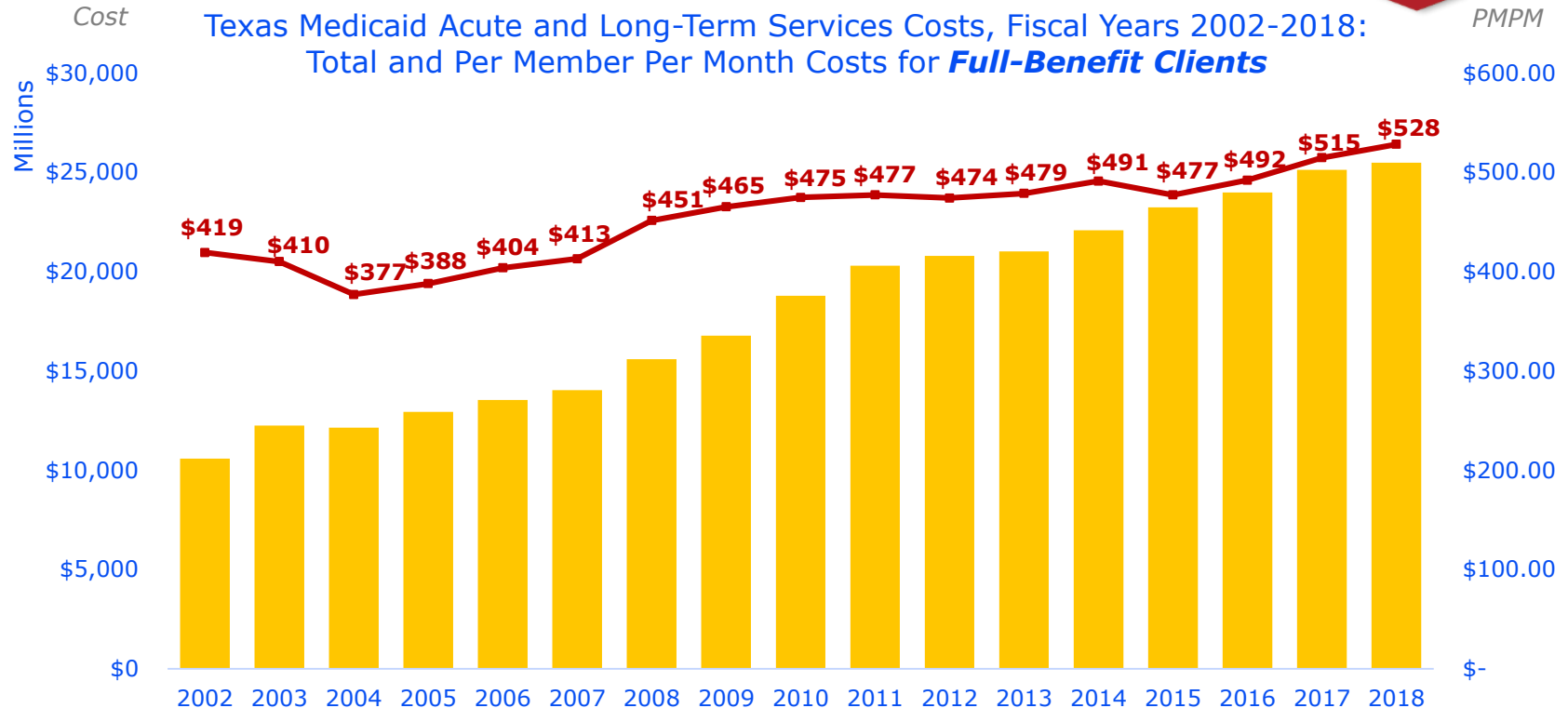
Caseload and Cost Growth Summary



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Total Full-Benefit
Cost

Texas Medicaid Acute and Long-Term Services Costs, Fiscal Years 2002-2018:
Total and Per Member Per Month Costs for **Full-Benefit Clients**



Medicaid Program Caseload - Recipient Months and Per Member Per Month Cost with Trends

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
RMs	2,103,972	2,489,061	2,683,730	2,779,936	2,792,597	2,832,848	2,878,126	3,005,620	3,298,099	3,543,057	3,655,930	3,658,629	3,746,124	4,056,702	4,060,564	4,067,380	4,021,935
RM Trend	12%	18%	8%	4%	0%	1%	2%	4%	10%	7%	3%	0%	2%	8%	0%	0%	-1%
PMPM	\$419	\$410	\$377	\$388	\$404	\$413	\$451	\$465	\$475	\$477	\$474	\$479	\$491	\$477	\$492	\$515	\$528
trend	4%	-2%	-8%	3%	4%	2%	9%	3%	2%	1%	-1%	1%	3%	-3%	3%	5%	3%

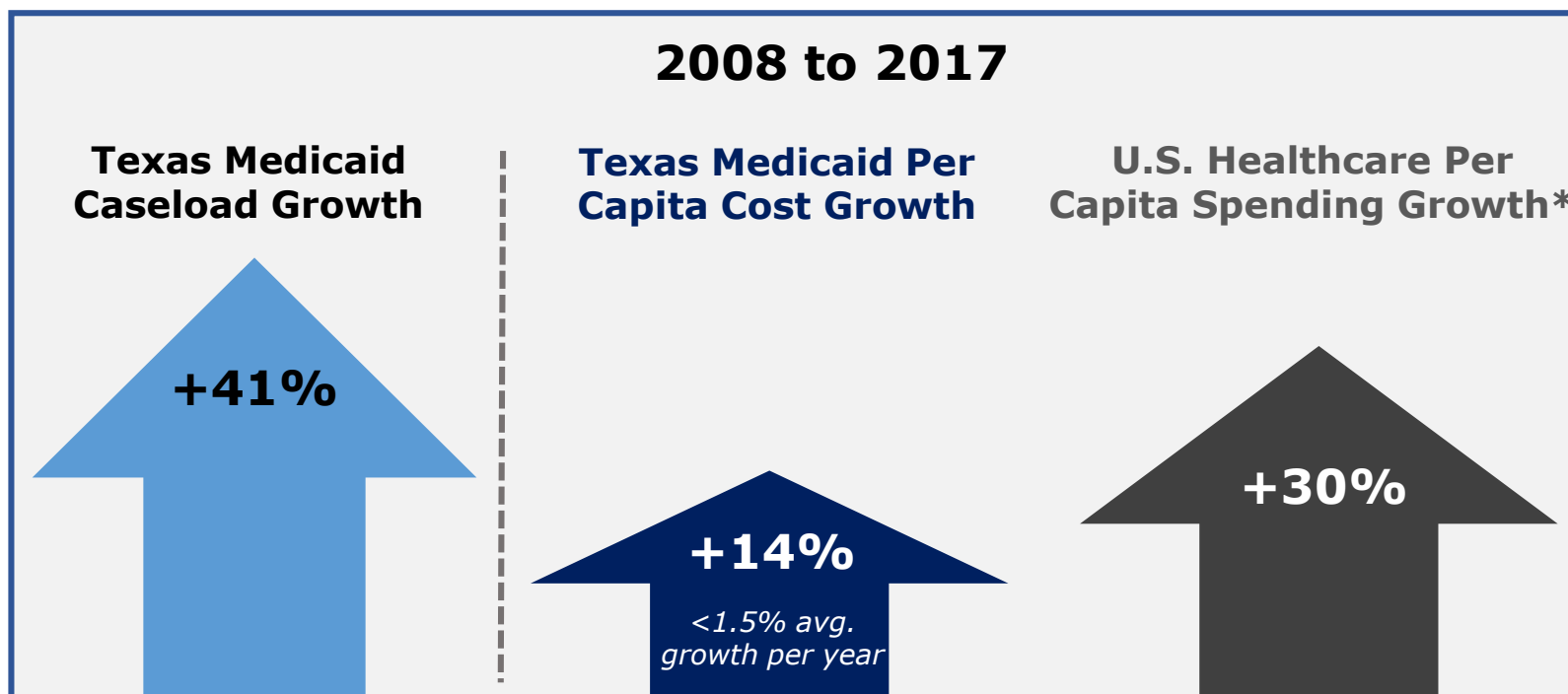
■ Total Full-Benefit Cost

— Full-Benefit Per Member Per Month



Cost Growth Trends

Caseload is the primary drive of cost; however, despite caseload increases, Texas Medicaid cost per person cost growth is substantially lower than the national trend



*Data is for Calendar Year (CY) 2008 to CY 2016

Impact Perspective



4.5 million

Texans receiving
services

14% of Texans covered

53% of Texas births covered by Medicaid

44% of Texas children on Medicaid or CHIP

62% of nursing home residents covered by Medicaid

Who is Eligible for Medicaid?



Federal law:

- Requires coverage of certain populations and services
- Gives flexibility for states to optional populations and services

Financial Criteria

How the applicant's income compares to the definition of the federal poverty level (FPL) for annual household incomes

Non-Financial Criteria

- Age
- Residency
- Citizenship or alien status

Varies by program

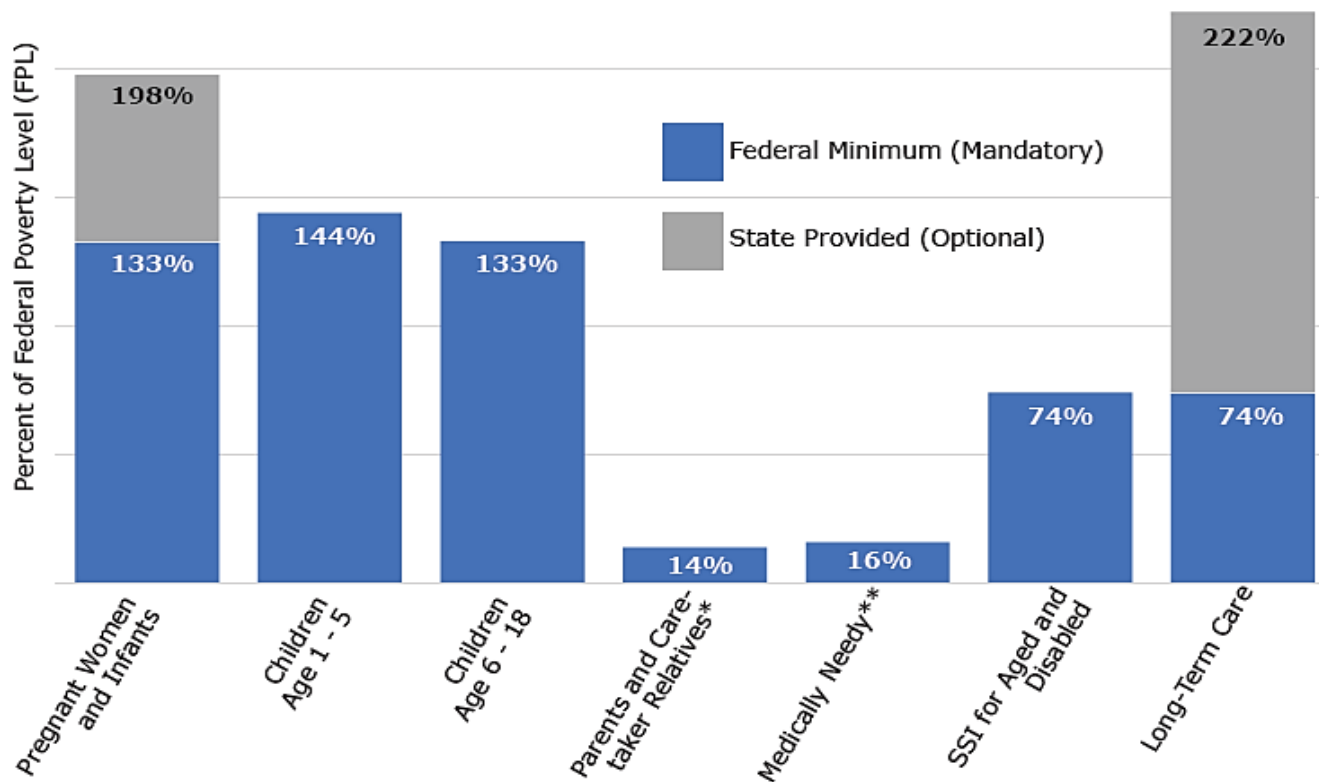
Eligible Population Categories

Children and Youth Parents and Caretaker Relatives Women
People Age 65 and Older Children and Adults with Disabilities



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Texas Medicaid Income Eligibility Levels



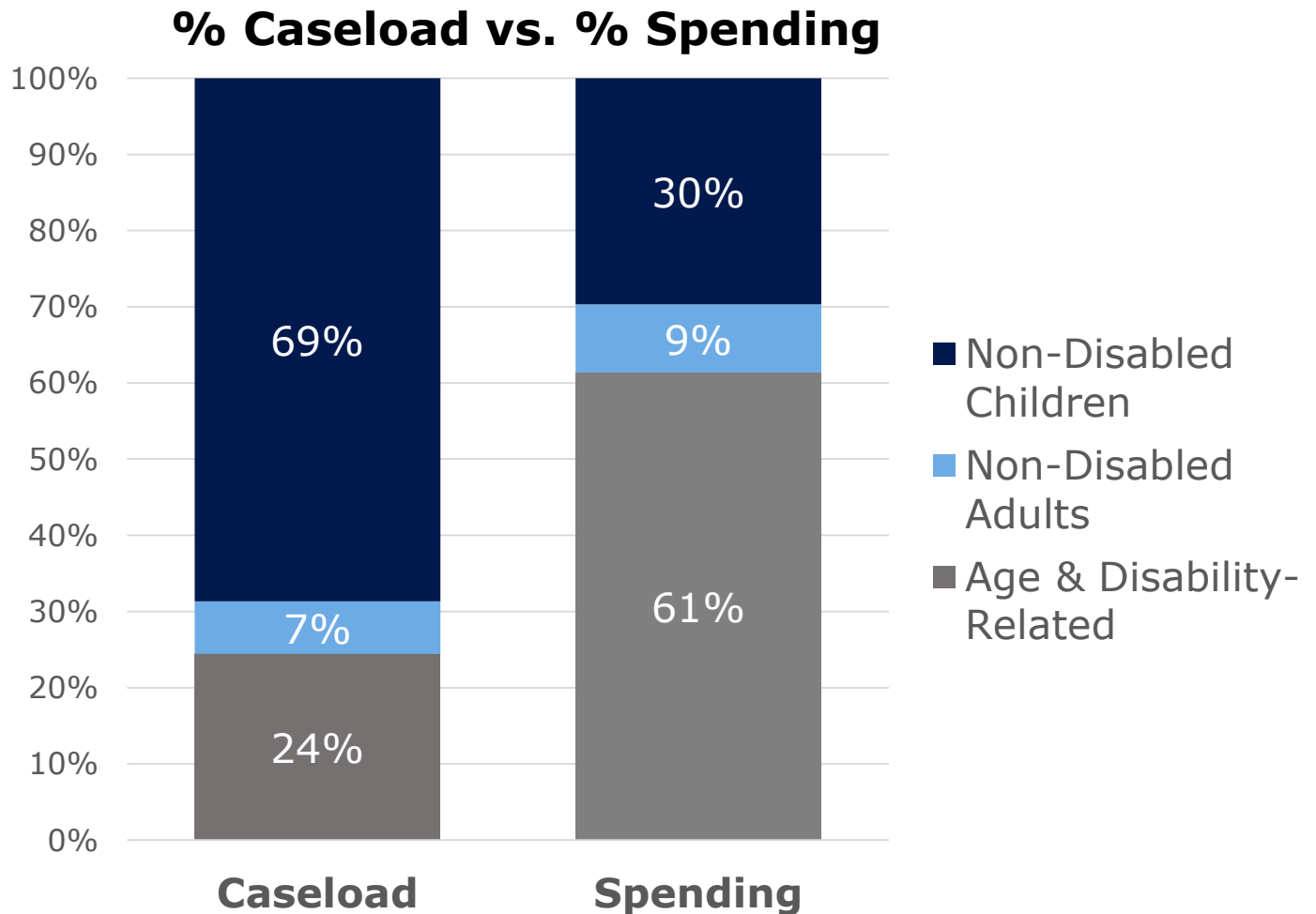
This figure reflects eligibility levels as of March 2018. In 2014, the Affordable Care Act (ACA) required states to adjust income limits for pregnant women, children, and parents and caretaker relatives to account for Modified Adjusted Gross Income (MAGI) changes.

*For Parents and Caretaker Relatives, maximum monthly income limit in SFY 2018 was \$230 for a family of three, which is approximately 14 percent of the FPL. **For Medically Needy pregnant women and children, the maximum monthly income limit in SFY 2018 was \$275 for a family of three, which is approximately 16 percent of the FPL.



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Major Category Spending





Programs and Services Available to Texans



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Acute Care

- Focus on preventive care, diagnostics, and treatments
- All clients enrolled in Medicaid programs are eligible for acute care services
- Examples of services include:
 - Physician
 - Inpatient and outpatient hospital services
 - Pharmacy
 - Laboratory
 - Behavioral health
 - X-ray services



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Long-Term Services & Supports (LTSS)

- Support an individual with ongoing, day-to-day activities, rather than treat or cure a disease or condition
- Must meet functional eligibility requirements
- Examples of services include:
 - Community-based care
 - Personal Assistance with activities of daily living (cleaning, cooking)
 - Nursing facility services



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Behavioral Health Services

- Treat mental health conditions and substance use disorder (SUD)
- These services are included in all Medicaid programs
- Services include:
 - Psychiatric diagnostic evaluation
 - Medication assisted therapy for SUD
 - Psychological and neuropsychological testing

A full list of services offered in Texas is available in Appendix B of the 12th Edition of the Texas Medicaid and CHIP Reference Guide



Service Delivery and Oversight

Two Models for Service Delivery



Fee-for-Service (FFS)

- Clients go to any Medicaid provider
- Providers submit claims directly to HHSC's admin services contractor for payment
- Providers are paid per unit of service
- Most FFS clients do not have access to service coordination

5%
of clients

95%
of clients

Managed Care

- A managed care organization (MCO) is paid a capitated rate for each member enrolled
- MCOs provide a medical home through a primary care physician (PCP) and referrals for specialty providers, when needed*
- MCOs negotiate rates with providers
- MCOs may offer value-added services
 - *Examples: youth community or sports membership, pest control, respite care*

*Exception: Clients who receive both Medicare and Medicaid (dual eligible) get acute care services and a PCP through Medicare



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Goals of Managed Care

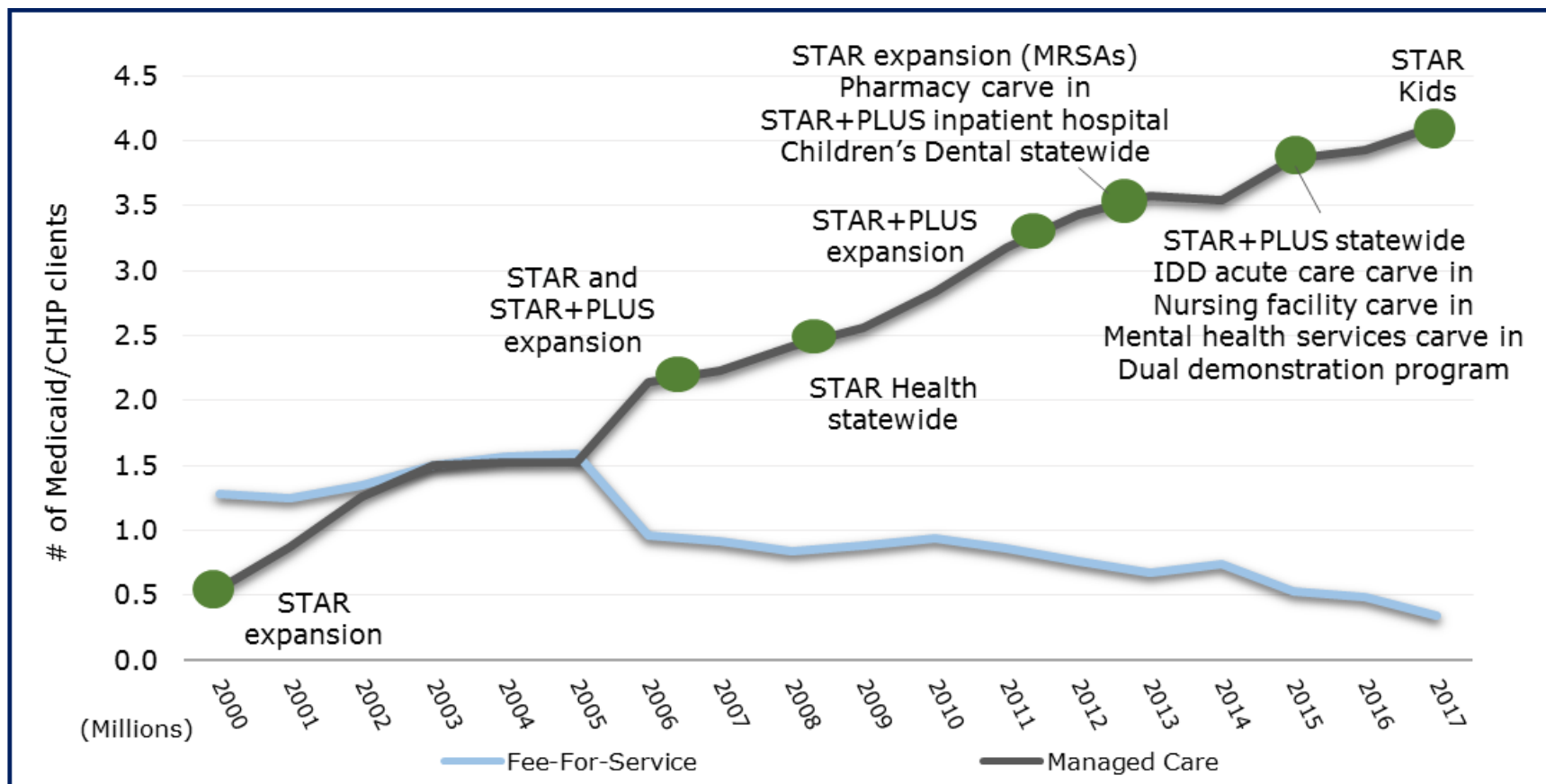
- Emphasize preventive care
- Improve access to care
- Ensure appropriate utilization of services
- Improve client and provider satisfaction
- Establish a medical home for Medicaid clients through a primary care provider
- Improve health outcomes, quality of care, and cost effectiveness
- Promote care in least restrictive, most appropriate setting



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Managed Care Growth

10-year increase in managed care service delivery:
+1.2 million clients



Medicaid Managed Care Programs

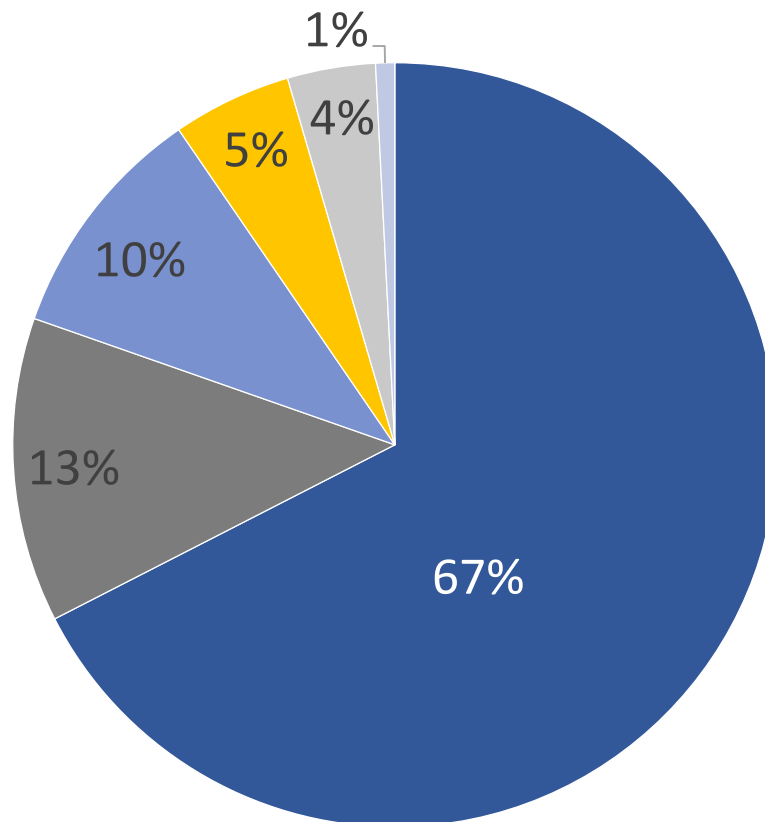


Product Name	Population Served
CHIP	Children in families that earn too much money to qualify for Medicaid, but cannot afford to buy private health insurance
STAR	Children, newborns, pregnant women, and some TANF-level families
STAR+PLUS	People with a disability or people who are age 65 or older; and women with breast or cervical cancer
MMP	People who are eligible for both Medicare and Medicaid, also known as 'dual eligibles'
STAR Kids	Children and adults 20 or younger with a disability
STAR Health	Serves children in the conservatorship of the Department of Family and Protective Services
Dental	For most children and young adults enrolled in Medicaid



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Program Enrollment



Clients Enrolled SFY18

STAR	3,010,872
STAR+PLUS*	568,943
CHIP	443,111
FFS	245,454
STAR Kids	162,647
STAR Health	33,751

*STAR+PLUS includes Dual Demonstration and CHIP includes CHIP-Perinatal

Figures represent average monthly enrollment totals in SFY 2018 for full benefit clients. Data is Preliminary

TEXAS Managed Care Service Areas

STAR Health (statewide) - Superior
Dental (statewide) - DentaQuest, MCNA

STAR - Aetna, Amerigroup, Cook Children's
STAR+PLUS - Amerigroup, Cigna-HealthSpring
STAR Kids - Aetna, Cook Children's
CHIP - Aetna, Amerigroup, Cook Children's

LUBBOCK

STAR - Amerigroup, FirstCare, Superior
STAR+PLUS - Amerigroup, Superior
STAR Kids - Amerigroup, Superior
CHIP - FirstCare, Superior

MRSA WEST

STAR - Amerigroup, FirstCare, Superior
STAR+PLUS - Amerigroup, Superior
STAR Kids - Amerigroup, Superior
CHIP - Molina, Superior

EL PASO

STAR - El Paso First, Molina, Superior
STAR+PLUS - Amerigroup, Molina
STAR Kids - Amerigroup, Superior
CHIP - El Paso First, Superior

TRAVIS

STAR - Blue Cross and Blue Shield of Texas, Dell Children's, Superior
STAR+PLUS - Amerigroup, United
STAR Kids - Blue Cross and Blue Shield of Texas, Superior
CHIP - Blue Cross and Blue Shield of Texas, Dell Children's, Superior

BEXAR

STAR - Aetna, Amerigroup, Community First, Superior
STAR+PLUS - Amerigroup, Molina, Superior
STAR Kids - Community First, Superior
CHIP - Aetna, Amerigroup, Community First, Superior

HIDALGO

STAR - Driscoll, Molina, Superior, United
STAR+PLUS - Cigna-HealthSpring, Molina, Superior
STAR Kids - Driscoll, Superior, United
CHIP - Molina, Superior

TARRANT

DALLAS

STAR - Amerigroup, Molina, Parkland
STAR+PLUS - Molina, Superior
STAR Kids - Amerigroup, Children's Medical Center
CHIP - Amerigroup, Molina, Parkland

MRSA NORTHEAST

STAR - Amerigroup, Superior
STAR+PLUS - Cigna-HealthSpring, United
STAR Kids - Texas Children's, United
CHIP - Molina, Superior

MRSA CENTRAL

STAR - Amerigroup, Scott and White, Superior
STAR+PLUS - Superior, United
STAR Kids - Blue Cross and Blue Shield of Texas, United
CHIP - Molina, Superior

JEFFERSON

STAR - Amerigroup, Community Health Choice, Molina, Texas Children's, United
STAR+PLUS - Amerigroup, Molina, United
STAR Kids - Texas Children's, United
CHIP - Amerigroup, Community Health Choice, Molina, Texas Children's, United

HARRIS

STAR - Amerigroup, Community Health Choice, Molina, Texas Children's, United
STAR+PLUS - Amerigroup, Molina, United
STAR Kids - Amerigroup, Texas Children's, United
CHIP - Amerigroup, Community Health Choice, Molina, Texas Children's, United

NUECES

STAR - Driscoll, Superior, United
STAR+PLUS - Superior, United
STAR Kids - Driscoll, Superior
CHIP - Driscoll, Superior, United

MMP (6 counties below):

Bexar - Amerigroup, Molina, Superior
Dallas - Molina, Superior
El Paso - Amerigroup, Molina
Harris - Amerigroup, Molina, United
Hidalgo - HealthSpring, Molina, Superior
Tarrant - Amerigroup

MSRA: Medicaid Rural Service Area
MMP: Medicare - Medicaid Plan



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Map Prepared by: Texas Health and Human Services Commission.
Center for Analytics and Decision Support. MRL
May 1, 2018



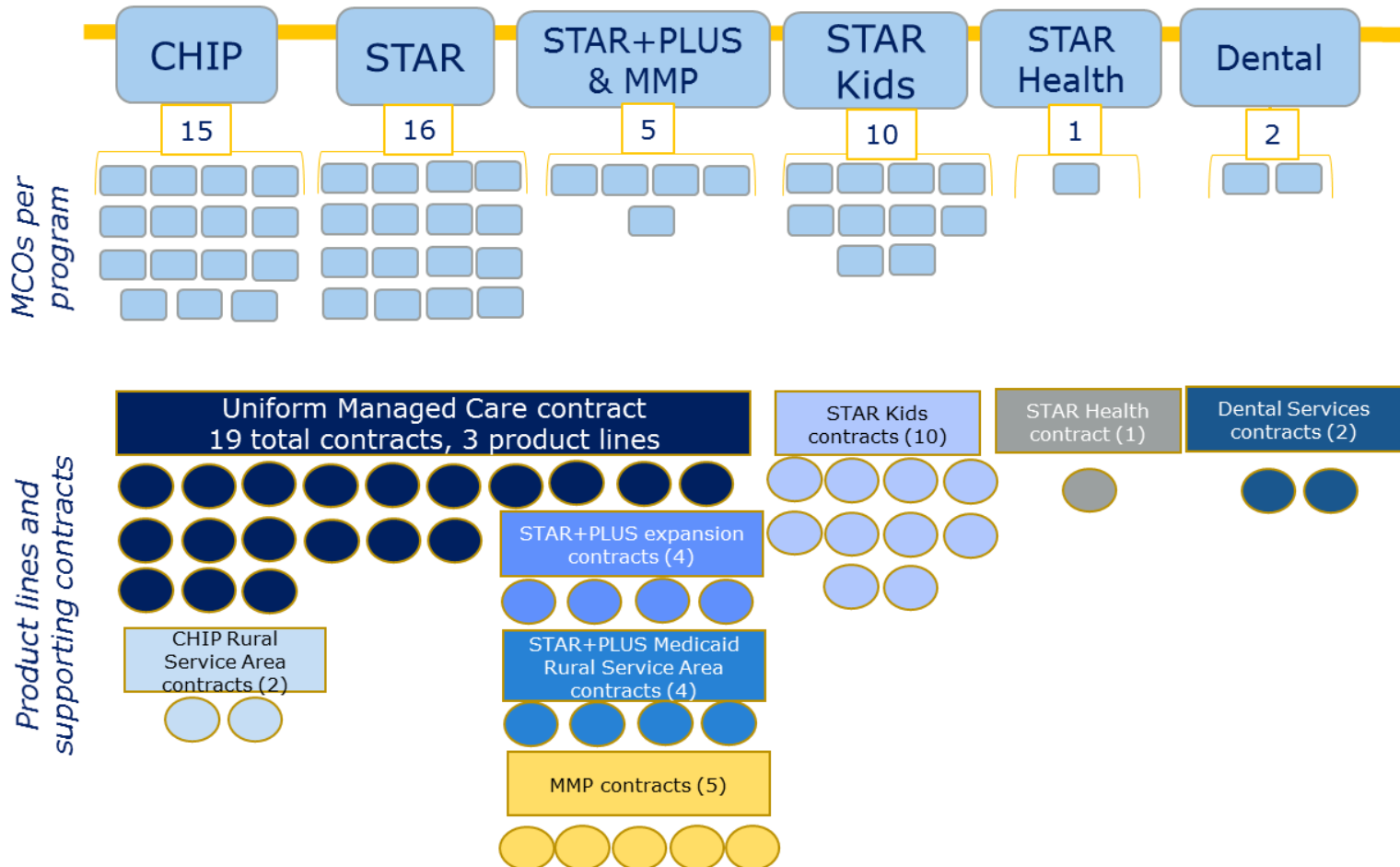
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Texas MCOs by the Numbers



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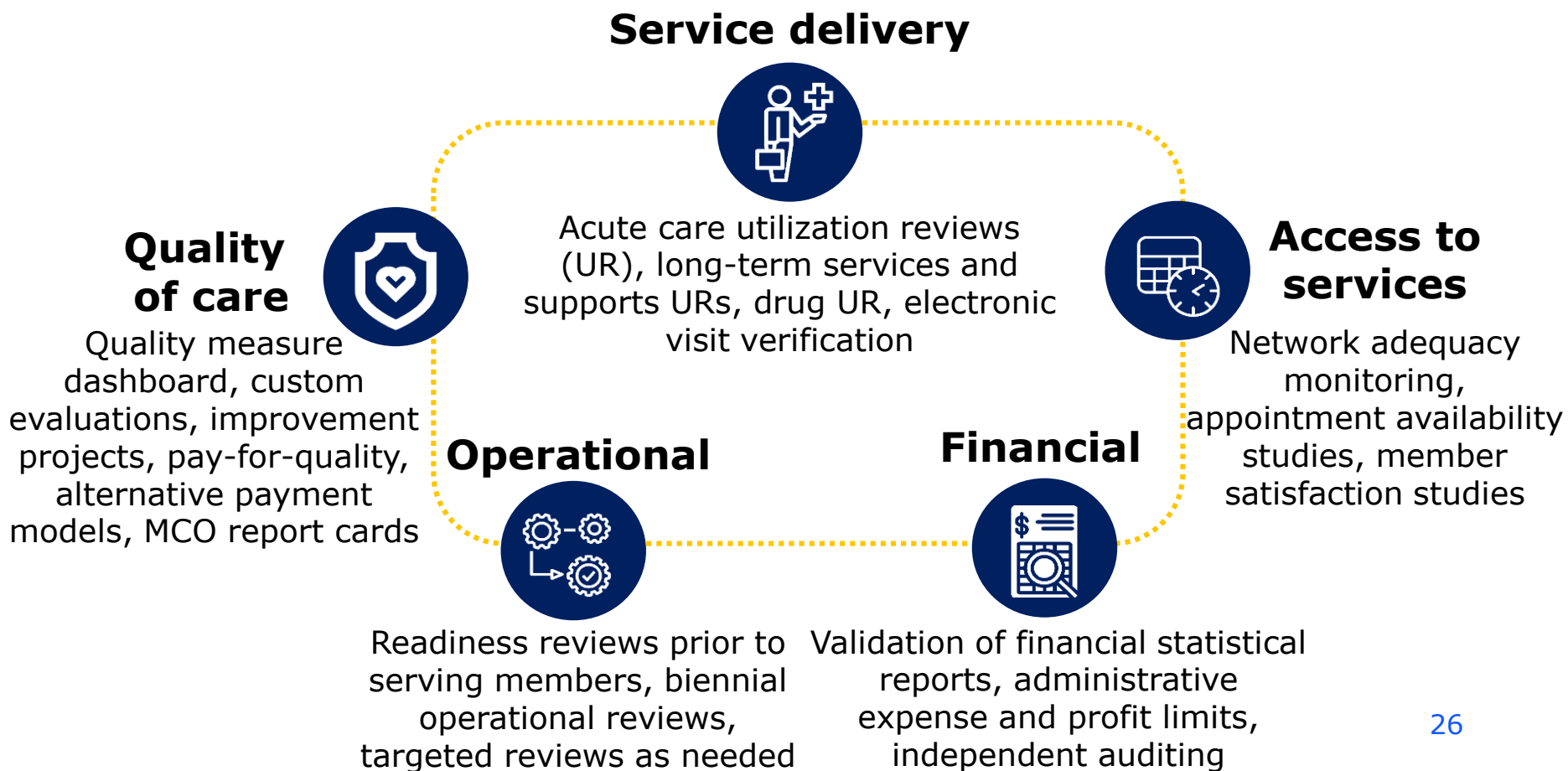
Managed Care Programs



Contract Oversight Tools



Tools span a multitude of areas, administered by various expertise



Oversight Tool Highlight



Financial



Contract formation with clear terms

- Set standards for reported financial data
 - ✓ Principles
 - ✓ Timing
 - ✓ Templates
- Cap administrative expenses
- Limit profits



Management by specialized expertise

- Reconcile and validate financial data
- Define scope of annual financial audit based on compliance
- Manage other additional financial audits & reviews



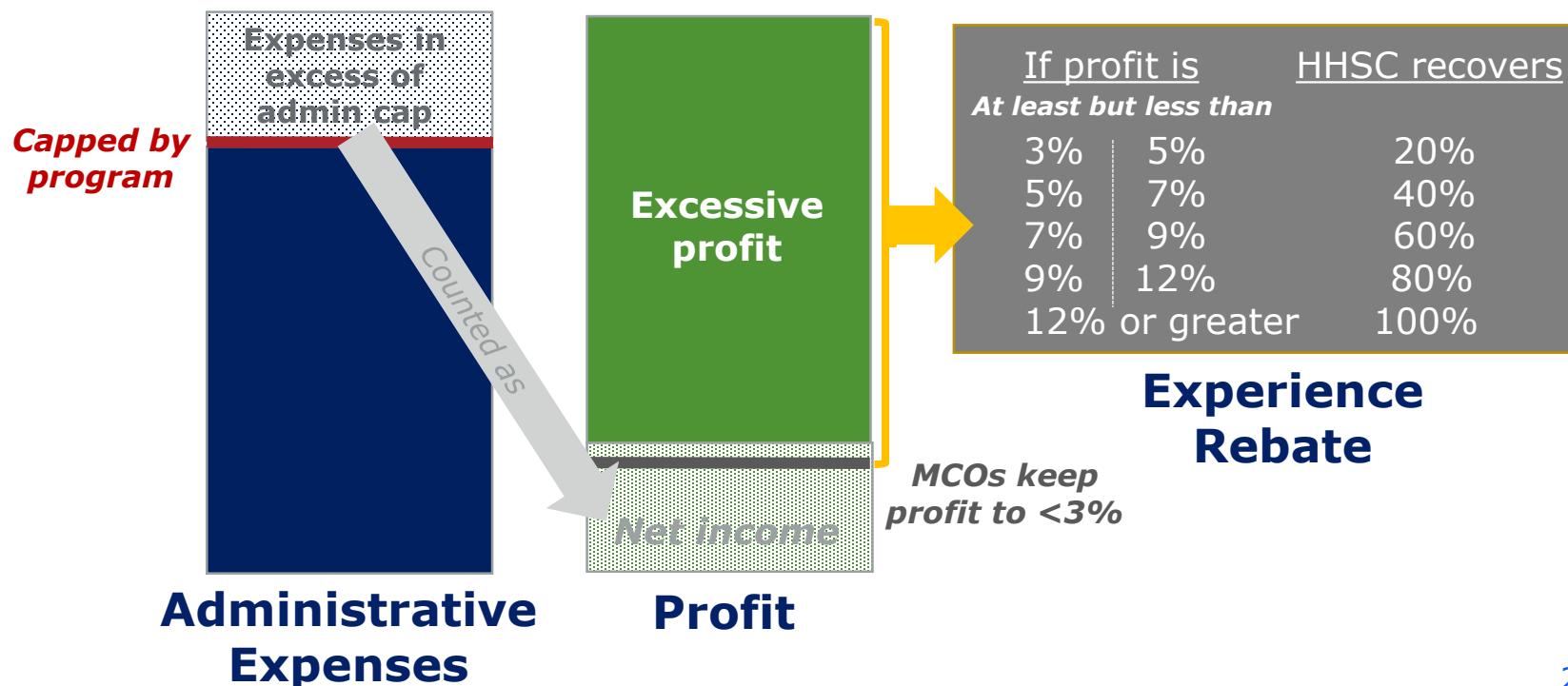
Audits annually & as needed

- Conduct annual audit by two independent contractors for additional data validation
- Conduct supplemental audits or reviews based on other identified issues

Non-compliance discoveries enforced as established in the contract, including liquidated damages or recovery of the Experience Rebate (i.e. recovery of "excess profit")

Contract Safeguards

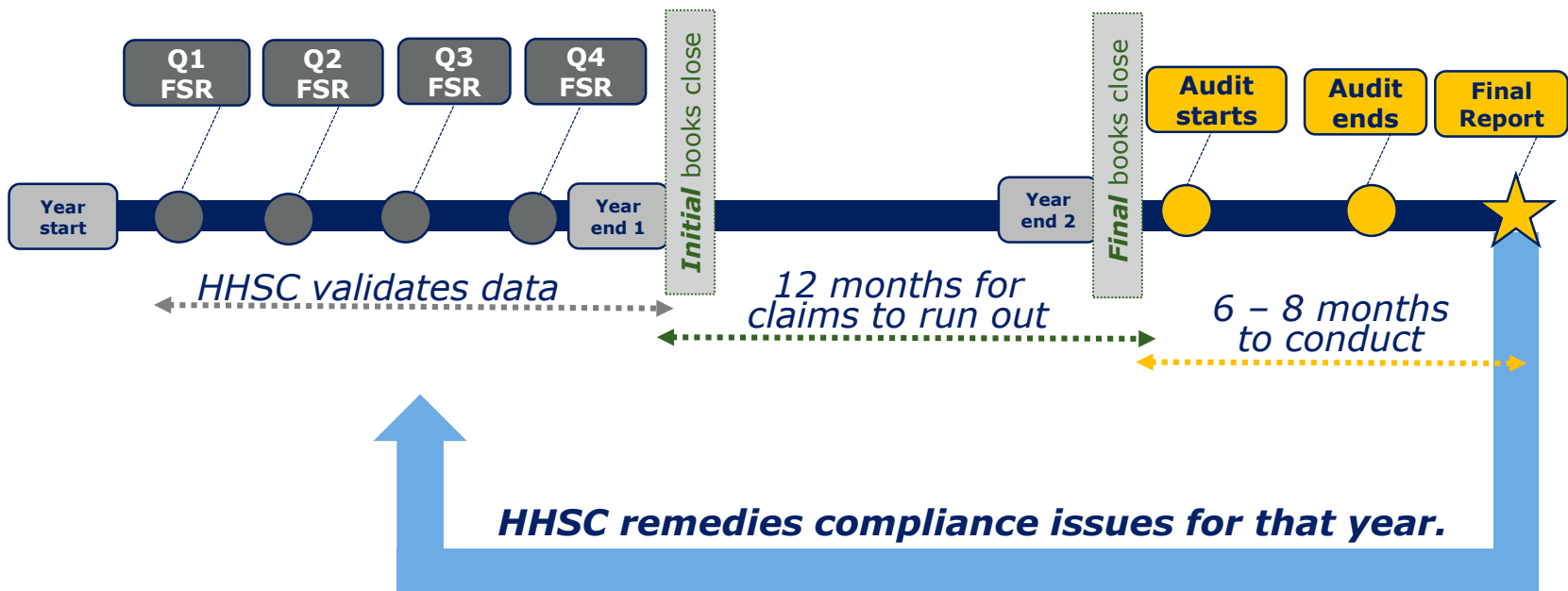
Fiscal responsibility ensured through caps on administrative expenses, conversions to income, and rebates on excessive profit



Financial Oversight Timeline



An 18-20 month audit process post-year end

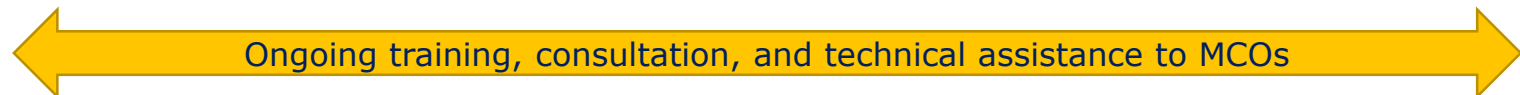
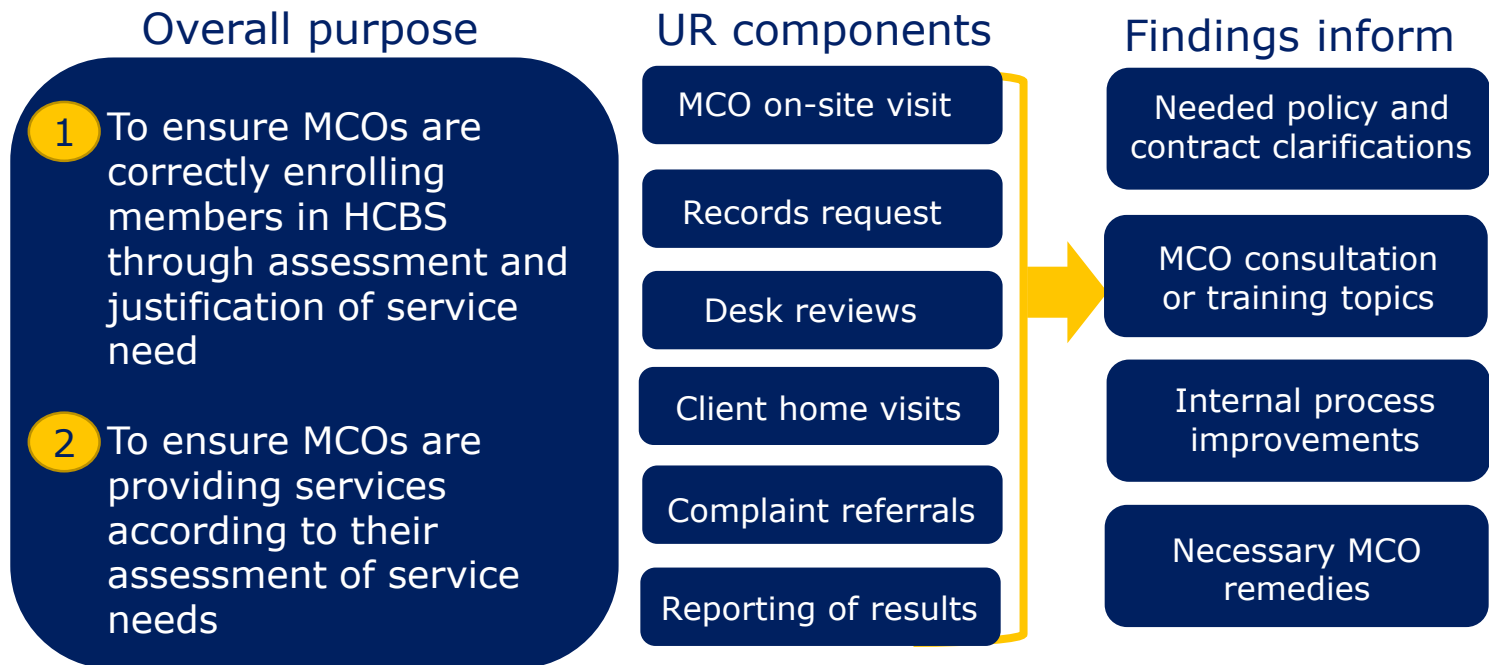


Oversight Tool Highlight



Service Delivery: Utilization Reviews (UR)

Conducted by nurses, overseen by the Office of the Medical Director



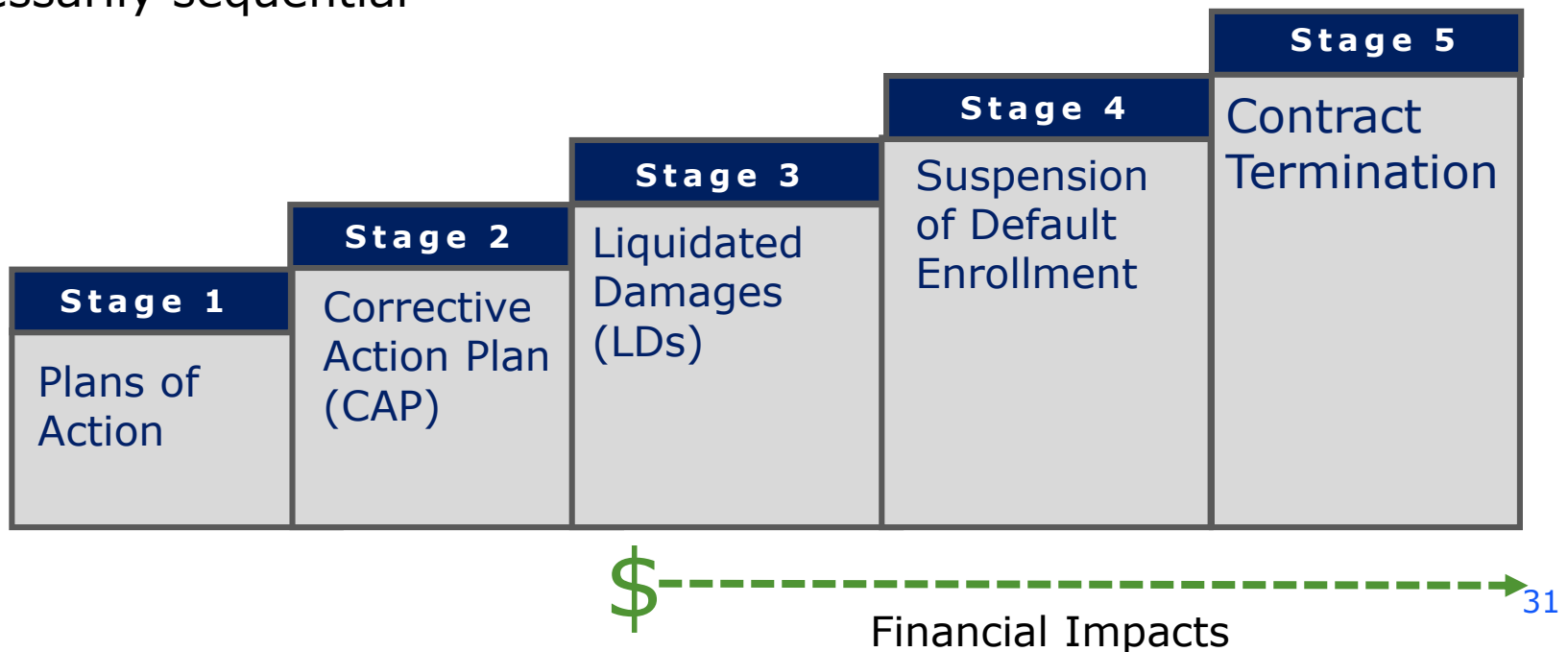
Addressing Non-Compliance



Multiple stages to address non-compliance discovered via oversight and monitoring

Increased levels of impact for MCOs

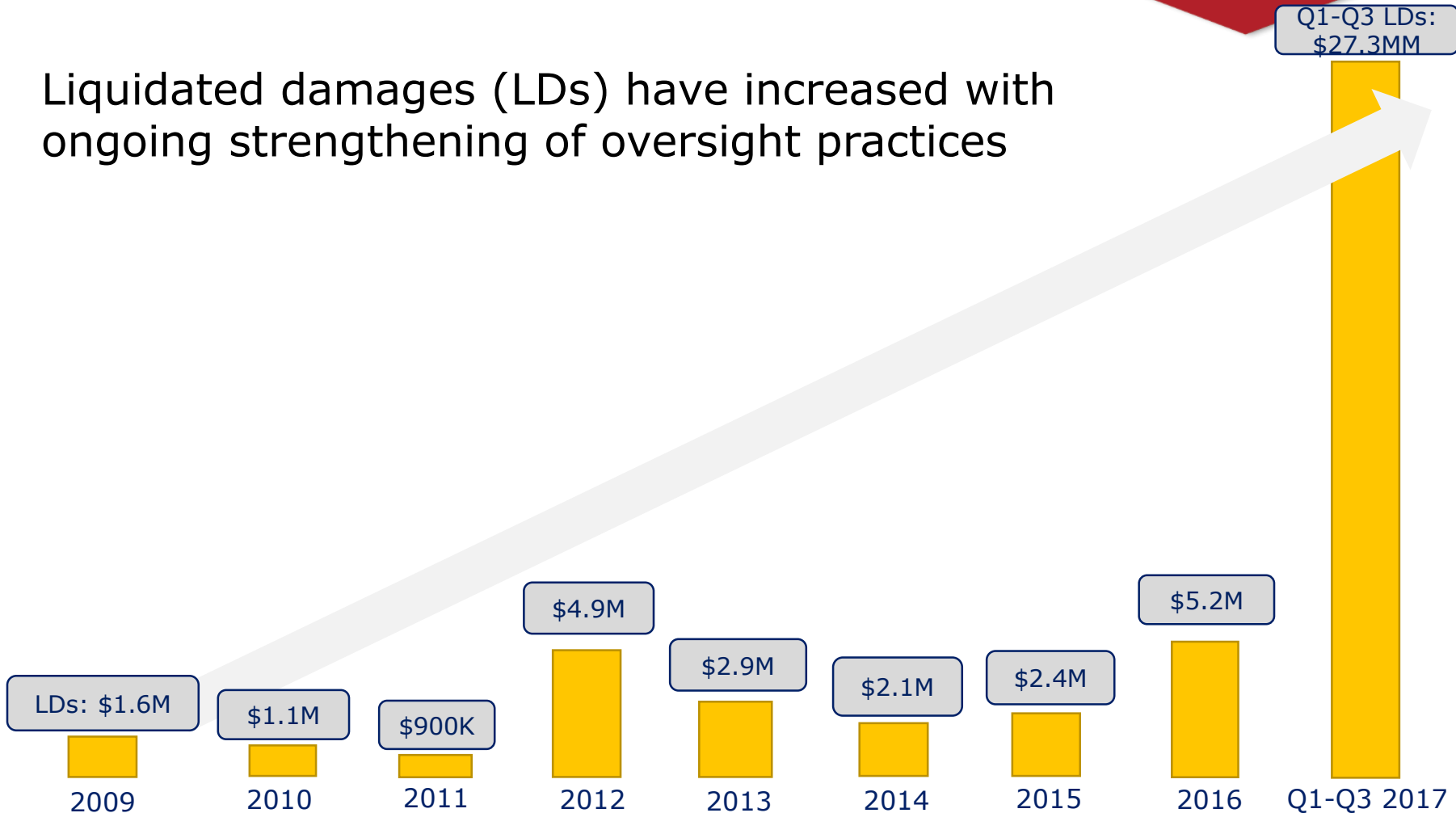
Remedy issued is contingent on type of non-compliance and not necessarily sequential



Financial Impact Trends



Liquidated damages (LDs) have increased with ongoing strengthening of oversight practices



All dollars are based on SFY and are rounded

Strengthening Oversight



Six focus areas:

1

Network Adequacy

- Improve the accuracy of provider directories
- Address the special needs of rural counties
- Increase the use of telemedicine
- Reduce administrative burden, including process automation
- Integrate network adequacy data
- Add network adequacy standards for LTSS provider type

2

Complaints Process and Data

- Standardize definition and categorization of complaints across HHSC and MCOs
- Improve data analysis to efficiently identify patterns and resolve issues early
- Streamline the member complaints process
- Improve transparency by publicly sharing complaints data
- Enhance education on the issue resolution process

Strengthening Oversight



Six focus areas, cont.:

3

Clinical Oversight

- Expand URs to include STAR Kids and STAR Health Medically Dependent Children Program (MDCP) recipients
- Collect and analyze prior authorization data to inform oversight activities
- Improve guidance on utilization management and medical necessity determinations

4

Outcome Focused Performance Management

- Enhance onsite operational reviews by refining the process and adding modules for review
- Review and streamline MCO deliverables when appropriate
- Strengthen oversight integration across divisions

Strengthening Oversight



Six focus areas, cont.:

5

Service and Care Coordination

- Examine service coordination requirements by product line
 - Initial focus on STAR Health
- Align terminology and definitions across product lines
- Enhance oversight of service coordination activities

6

Administrative Simplification

- Reduce Medicaid provider burden through key areas of administrative improvements:
 - Claims payment
 - Prior authorization submissions
 - Eligibility information
 - Enrollment process



Governing Framework



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Medicaid Governing Framework

- Basic principles for Medicaid were established by the Social Security Act
- The Centers for Medicare & Medicaid Services (CMS) is the agency within the U.S. Department of Health and Human Services that oversees the Medicaid Program
- Federal regulations require each state designate a single state agency responsible for the program
- The Medicaid State Plan is a dynamic document that serves as a contract between the states and CMS
- States can apply to CMS through waivers to test new ways to deliver and pay for services

Fundamental Requirements



- 1 Statewide Availability:** All Medicaid services must be available statewide and may not be restricted to residents of particular localities
- 2 Sufficient Coverage:** States must cover each service in an amount, duration, and scope that is “reasonably sufficient”
- 3 Service Comparability:** The same level of services (amount, duration, and scope) must be available to all clients, except where federal law specifically requires a broader range of services or allows a reduced package of services
- 4 Freedom of Choice:** Clients must be allowed to go to any Medicaid health care provider who meets program standards



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State Plan

- Each state has a State Plan that constitutes their agreement with the federal government on:
 - Who will receive Medicaid services (all mandatory and any optional populations)
 - What services will be provided (all mandatory and any optional services)
 - How the program will be administered
 - How the program will be financially administered
 - What the other program requirements are
- CMS must approve the State Plan to ensure the federal matching funds will be provided



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Waivers

- Waivers provide states with options to operate their Medicaid programs
- States apply for waivers with CMS for permission to deviate from certain Medicaid requirements
- Waivers are typically sought to:
 - Provide different kinds of services
 - Provide Medicaid to new groups
 - Target certain services to certain groups
 - Test new service delivery and management models

Three Primary Waiver Types



1 Research and Demonstration 1115 Waivers

Provide flexibility to test new ideas for operating Medicaid programs.

- 1 Texas:** Also called the 1115 Transformation Waiver. Allows the state to expand managed care including pharmacy and dental services while preserving federal hospital funding (historically received as UPL payments). Participating providers implement programs, strategies, and investments to improve care.

2 Freedom of Choice Waivers 1915(b)

Provide states with the flexibility to modify their service delivery systems.

- 2 Texas:** The authority under which the state implements the managed care model

3 Home and Community-Based Services 1915(c) Waivers

Allow states to provide community-based services as an alternative for people who meet eligibility criteria for care in an institution.

- 3 Texas:** Medically Dependent Children Program (MDCP), Home and Community-Based Services (HCBS), Texas Home Living (TxHml), Community Living Assistance and Support Services (CLASS), Deaf Blind with Multiple Disabilities (DBMD), Youth Empowerment Services (YES)



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1115 Transformation Waiver

Texas received initial approval for 1115 Transformation Waiver in December 2011

Expanded the managed care delivery model statewide

Created the Uncompensated Care (UC) funding pool

Created the Delivery System Reform Incentive Payment (DSRIP) Program funding pool



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1115 Transformation Waiver

In December 2017 CMS approved 5-year renewal to September 30, 2022

CMS Waiver Approval Letter:

"Texas' DSRIP program will transition to a more strategic systemic effort focusing on health system performance measurement and improvement that achieves sustainable and effective delivery system reform"

- DSRIP was extended for four years
- The DSRIP pool phases out in the renewal period
- Texas is required to submit a Transition Plan for DSRIP by October 1, 2019



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DSRIP Transition Planning

Goal: Sustain DSRIP Successes

- Increased access to care achieved through DSRIP is at least partially sustainable as providers can continue to bill for the increased number of services they are providing
- Other DSRIP successes, such as quality improvements, can be sustained through quality programs in Medicaid managed care
- HHSC will work with state leadership and CMS on the transition plan and strategies for post-DSRIP



Procurement Update

Victoria Ford

**Chief Policy Officer &
Interim Chief Operating Officer**



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February 6, 2019



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HHSC Procurement Reform

Values for Reform

1. Nothing is more important than ensuring Texans have the services they need, and we are doing everything we can to ensure that there are no interruptions in services to clients
2. We are working to ensure that there are no financial impacts to the state
3. We have to get this right, and we are 100 percent committed to improving our procurement processes and restoring accountability to the process



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Reform: April – June

- HHSC replaced both the Chief Operating Officer and Deputy Executive Commissioner of Procurement and Contracting Services (PCS)
- HHSC created a Compliance and Quality Control (CQC) division outside of PCS chain of command
- New management worked with multiple auditing entities and completed an extensive internal review of procurements in flight and existing policies and procedures
- Developed a comprehensive checklist with Department of Information Resources (DIR) and Comptroller of Public Accounts (CPA), revised high-risk operating procedures, aligned CQC expertise with high-risk activities (i.e. scoring and solicitation development)



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External Audit Reports

Three external reviews published

HHSC Internal Audit PCS' Procurement Processes

- Issued July 8, 2018

State Auditor's Office (1) The Scoring and Evaluation of Select HHSC Procurements (2) Select Contracts at HHSC

- Issued July 13, 2018; November 26, 2018

HHSC Office of Inspector General Reviewed HHS procurement process (2013-2018)

- Issued July 2018

Consistent
compliance
with the law
and/or GAA

Scoring Issues

Utilization of
Best Practices



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Remediation

Consistent Compliance with the Law and/or GAA

- HHSC created a Compliance and Quality Control (CQC) division outside of the PCS chain of command
- HHSC, DIR, and the CPA developed a comprehensive checklist that includes all requirements from solicitation development to contract award
- The checklist is certified by the purchaser, approved by purchasing manager, and reviewed by CQC
- Complex procurement operating procedures were updated to reflect current legal and regulatory compliance requirements
- Ernst & Young's improvement plan included projects designed to enhance governance, risk management, personnel development, and technology functions



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Remediation

Scoring Issues

- CQC analysts proficient in Microsoft Excel now design score sheets to prevent unallowable scores (zeros and/or blanks) and aggregate evaluator score sheets into final score summaries using proper formulas and logic
- Each individual score sheet and all final score summaries are completed by one CQC analyst and reviewed by a separate analyst to ensure consistency and accuracy
- These measures match skill sets to job duties while long-term evaluation solutions are developed and tested



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Remediation: Continual Improvement

Best Practices

- Fully integrated operating procedures incorporated into a redesigned HHSC Procurement and Contract Manual that is systematically updated
- PCS and Program staff regularly trained on business and system processes and applications
- Risk-based alignment of organizational resources to ensure effective and efficient workflow
- Enhanced reporting capabilities and coordinated, management-level oversight of all procurement and contract activities
- Continue building productive relationships with internal and external stakeholders



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HHS Procurement and Contracting Improvement Plan (PCIP)

Ernst & Young Project Phases

- HHSC entered into a contract with Ernst & Young (EY) on July 16, 2018, beginning a 10-week engagement.
- The contract includes four stages and corresponding deliverables
- The final report including Phases I through III was delivered on October 31, 2018
 - Phase 1: Assessment
 - Phase 2: Root Cause Analysis
 - Phase 3: Improvement Plan
 - Phase 4: Post-Implementation Evaluation (start date TBD – 4 weeks after notice to proceed)

Phase 1: Assessment on Maturity Model



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Stage 1: Informal

- No procurement strategy or governance body to support strategy
- Procurement dept. seen as second tier function focusing on admin activities
- Day-to-day pressure dictates activities, teams work in silos
- No monitoring of performance of procurement and contracting functions
- No standardized P2P processes in place / manual paperwork processing

Stage 2: Functional

- Procurement strategy not defined, no visibility on future initiatives
- Procurement dept. seen as transactional with no value-adding function
- Procurements driven by contract end dates, some collaboration though not uniform
- Governance exists for few key purchases
- Basic P2P without guidelines and basic performance metrics

Stage 3: Standardized

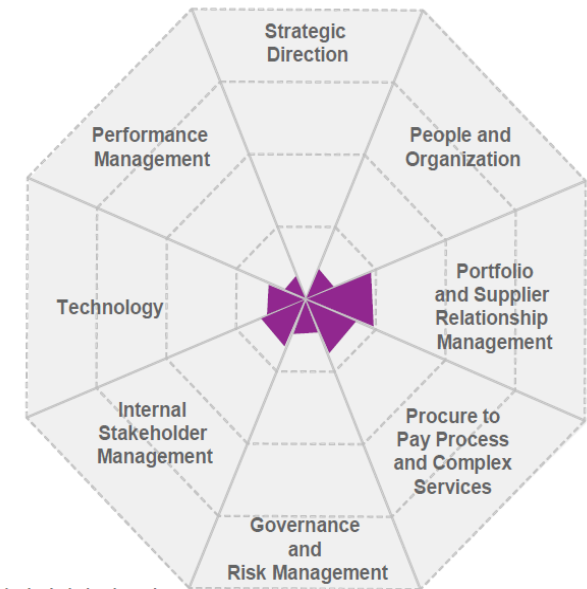
- Procurement strategy exists but not executed
- Procurement employees show strategic thinking & consulted, but not fully integrated
- Leverage global sourcing in on most categories
- Processes and systems are documented but not enforced, silo risk management
- End-to-end processes in place but low compliance

Stage 4: Collaborative

- Procurement strategy fully understood and followed
- Employees exercise strategic thinking & attract internal and external talent
- Comprehensive strategic sourcing process
- Governance model supported by executives with multifunctional integrated risk management
- Fully integrated and automated P2P processes with high compliance

Stage 5: Leading

- Procurement excellence through updated strategic plans and governance
- Procurement has network of high-quality staff
- Sourcing approach recognized as best in market
- Procurement proactively manages all procurement categories in close collaboration with departments
- Lean and highly integrated P2P





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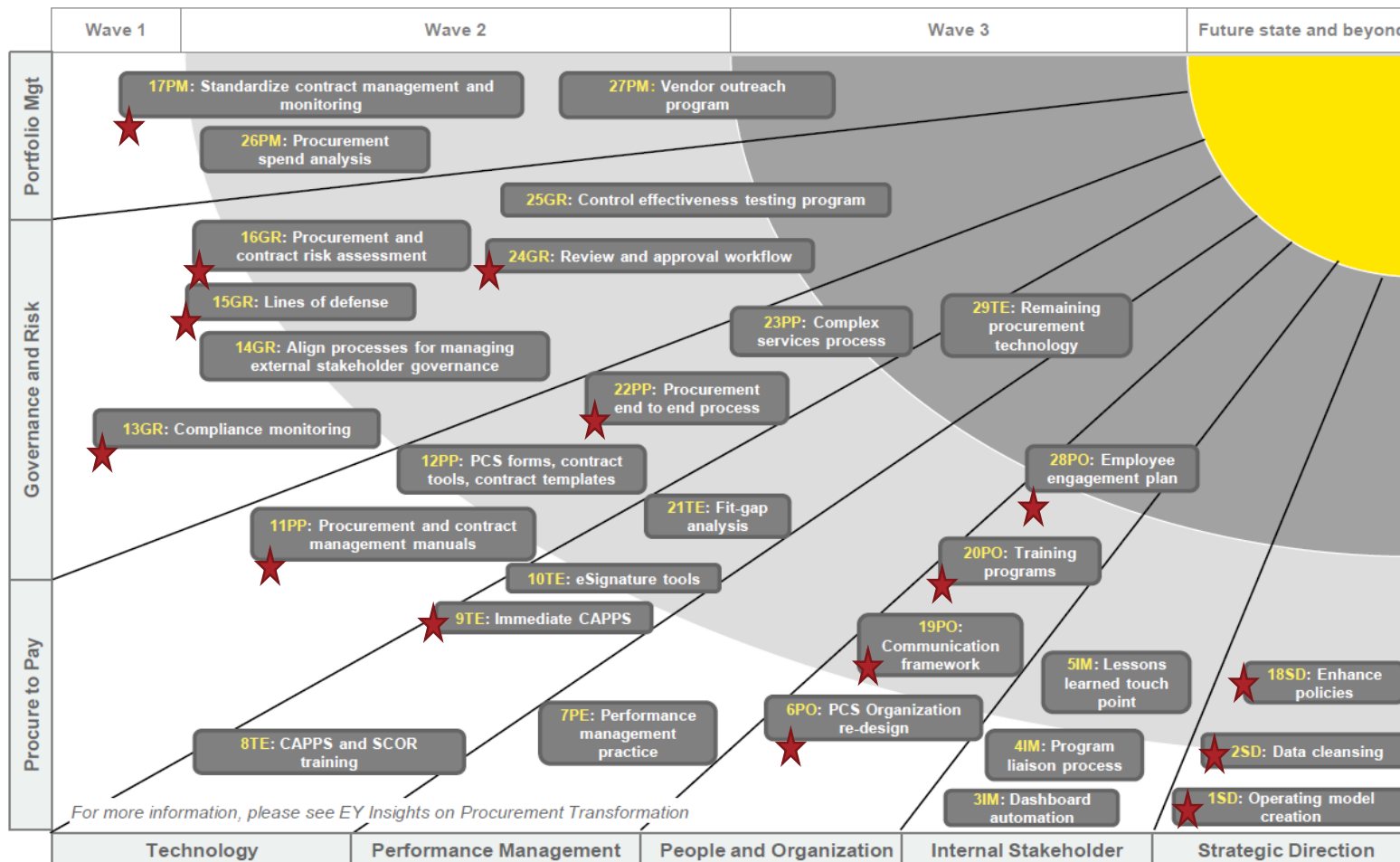
Phase II: Root Cause Analysis

- HHSC's operating model and strategic direction of our procurement and contracting functions have not evolved to meet the needs of a heavily outsourced service delivery model
 - Lack of emphasis on training and systems to support effective functions
 - Inefficient, inconsistent, and over-engineered contracting and procurement processes
- The increased volume, complexity, and oversight of transactions has amplified the effects of an unfit contracting model
 - Inadequate data, reports, and access to information
- The communication structure is not sufficient for an organization of our size
 - Requires significant increase in internal communication and collaboration
 - Overly restrictive approach to dealing with vendor community

Phase III: Improvement Plan



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Guiding Principles



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COMPLIANCE & ETHICS

The HHS procurement and contracting system will be compliant with laws and regulations to maintain the integrity of the organization, ensure accuracy, and build trust with the public and business partners. Audit findings will be addressed and corrected promptly, and all system stakeholders will act in an ethical manner.

PROGRAM-CENTRIC CUSTOMER SERVICE

Procurement and contracting will function in a manner that recognizes an obligation to assist and serve internal clients, which includes consideration of the diverse needs of programs and divisions utilizing procurement and contracting services, and engaging in two-way communication.

ACCOUNTABILITY

Roles and responsibilities of all parties throughout the procurement and contracting life cycle will be clearly defined and openly communicated. Progress toward project timelines, milestones and organizational goals will be tracked and measured.



TRANSPARENCY

All policies, processes, workflows, data, reporting and other relevant information will be easily accessible to internal stakeholders to allow for effective and efficient procurement and contracting operations. Stakeholders will work cooperatively and collaboratively to continuously improve contracting and procurement processes.

EFFICIENCY

Procurement and contracting objectives will be met through optimized processes that create significant value for internal and external stakeholders. Decisions related to processes will be compliance- and risk-based while ensuring that overall time and effort from organizational resources are efficiently focused on services and goods that best serve our clients' needs.

BALANCED & REALISTIC EXPECTATIONS

Improvement of the procurement and contracting system will proceed with a balanced and realistic approach that takes into account existing and emerging organizational demands and limitations. Projects will be implemented based on available resources, funding and capabilities of the organization, while striving for movement to greater levels of maturity and excellence.



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PCIP Portfolio

EY's 29 project charters were prioritized and properly sequenced into a balanced, high-impact portfolio of **15 projects** that addresses the most pressing short- and long-term needs of the organization.



Operating Model, Framework, and Infrastructure	Communications	Risk & Workflow	Governance, Policy, & Compliance	Data & Technology
1SD: Sufficient Operating Model ☆	19PO: Comprehensive Communication Framework ☆	15GR: Risk Management Lines of Defense ☆	18SD: Policy Governance ☆	2SD: Data Cleansing ☆
6PO: Create an Optimized Organization Design for PCS ☆	28PO: Employee Engagement Plan	22PP: Redesign Procurement End to End Process ☆	13GR: Compliance Monitoring Processes & Controls ☆	9TE: Immediate CAPPs Needs
		16GR: Procurement and Contract Risk Assessment	11PP: Update and Refine Procurement and Contract Management Manuals	20PO: Comprehensive Training Programs with consideration for "8TE: Conduct Comprehensive CAPPs and SCOR Training".
		24GR: Develop Review and Approval Workflow	17PM: Standardize Contract Management and Monitoring Practices	

☆ – Foundational Projects



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PCIP Timeline

PROCUREMENT AND CONTRACTING IMPROVEMENT PLAN

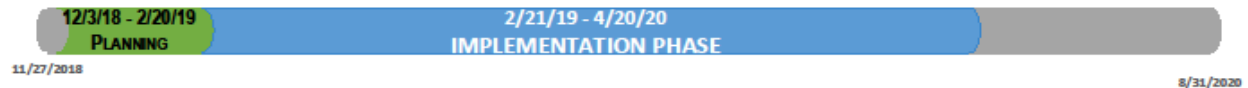
OPERATING MODEL & FRAMEWORK

2/1/19

1SD SUFFICIENT OPERATING MODEL

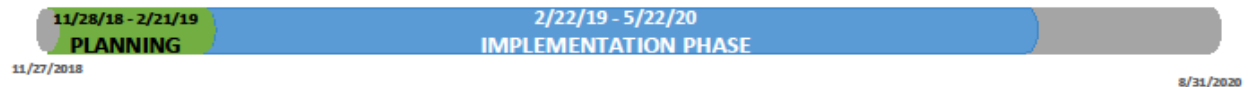


6PO PROCUREMENT AND CONTRACTING SERVICES ORGANIZATION DESIGN



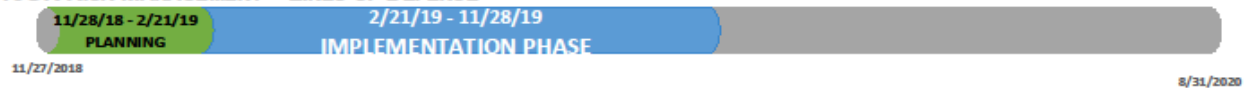
COMMUNICATIONS

19PO COMPREHENSIVE COMMUNICATION FRAMEWORK

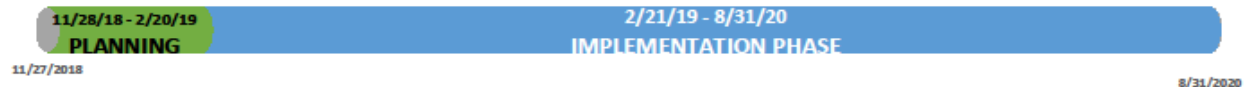


RISK, WORKFLOW, GOVERNANCE, COMPLIANCE & POLICY

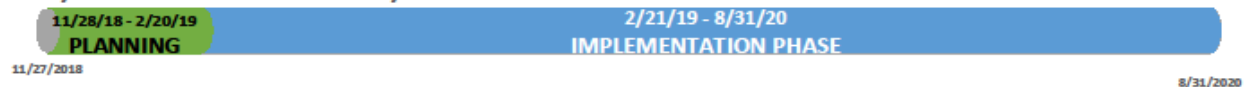
15GR RISK MANAGEMENT – LINES OF DEFENSE



22PP REDESIGN PROCUREMENT END-TO-END



13GR/18SD COMPLIANCE CONTROLS / POLICIES





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Contract Oversight & Management

Ongoing relationships that require commitment to collaboration

Program	PCS / CQC	Legal	IT
<ul style="list-style-type: none">• Provide subject matter expertise• Manage and monitor the contracts• Initiate contractual remedies (corrective action plans, liquidated damages)	<ul style="list-style-type: none">• Oversight of contract management• Oversight, support, and quality assurance for required reporting• Fiscal monitoring	<ul style="list-style-type: none">• Drafts the contract• Counsel on legal authority, terms and conditions, and corrective action plans (including liquidated damages)	<ul style="list-style-type: none">• Manages QAT process• Provide technical assistance for all contracts with IT components• Facilitate Steering Committees (i.e. TMHP committee required by GAA)

2018 Contracts



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Contracts, TPOs, and RGCs Active at any point during FY18

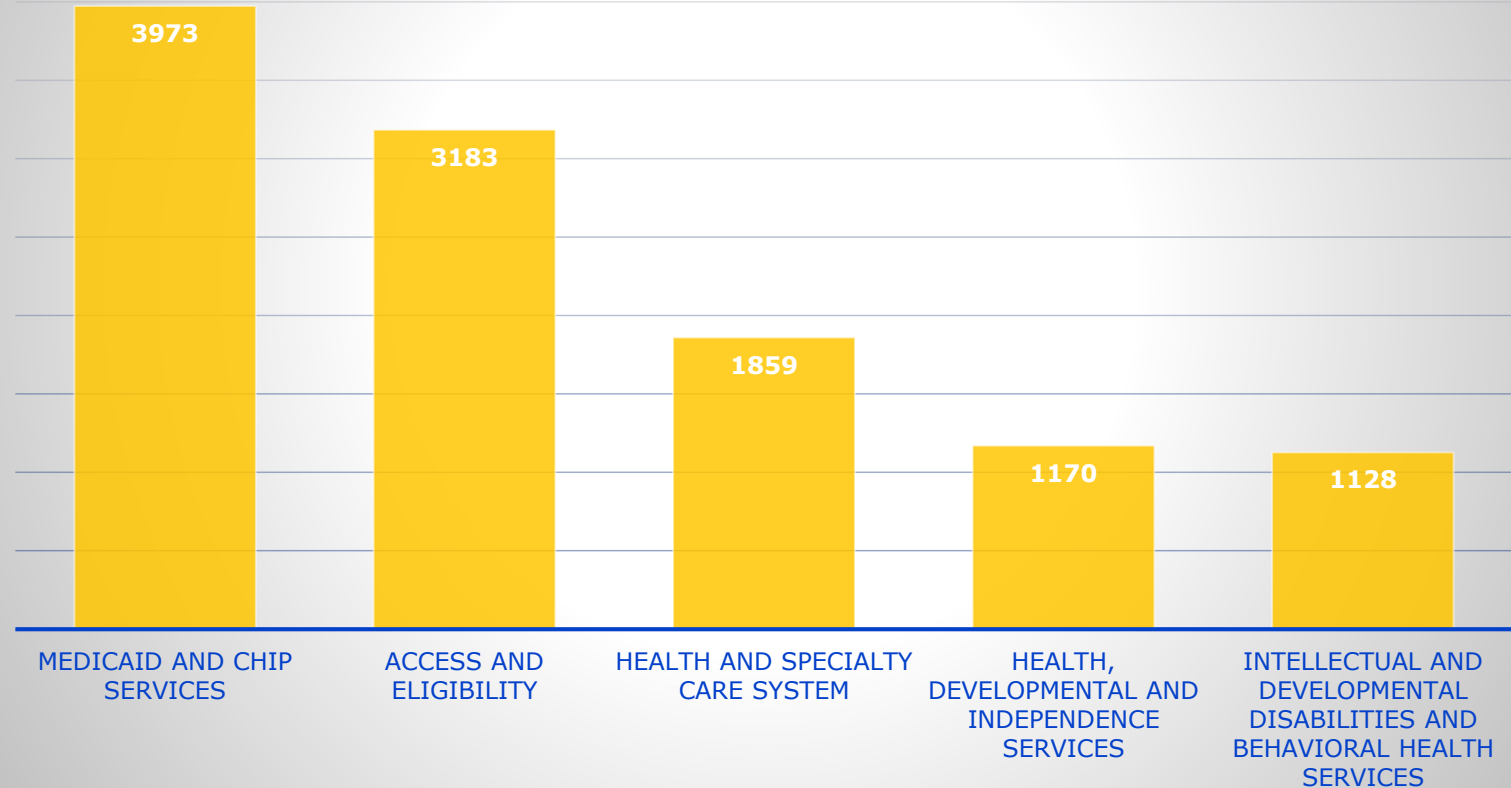
Contract Type:	Definition	<u>FY 18</u>
Formal Contract	A formal, legally enforceable agreement between two or more parties that may be established for multiple years, may include renewal options, and that requires ensuring that the contract requirements are managed. It also includes expenditure and grant related contracts.	25,378
Transactional Purchase Order (TPO)	A purchase order that is not affiliated with a contract, is established for a period not to exceed 12-months, and that is not renewable. The point-in-time purchase begins and ends with the delivery or completion of the purchased good or service with the exception of a warranty of the good or service purchased.	31,051
Revenue Generating Contract	Binding agreements between a HHS System agency and another party that defines the terms under which revenue will be received.	1,046
Total		57,475

HHS IT Systems Used in Procurement and Contracting

- *CAPPS Financials*
- *System of Contract Operation and Reporting (SCOR)*
- *DocuSign*

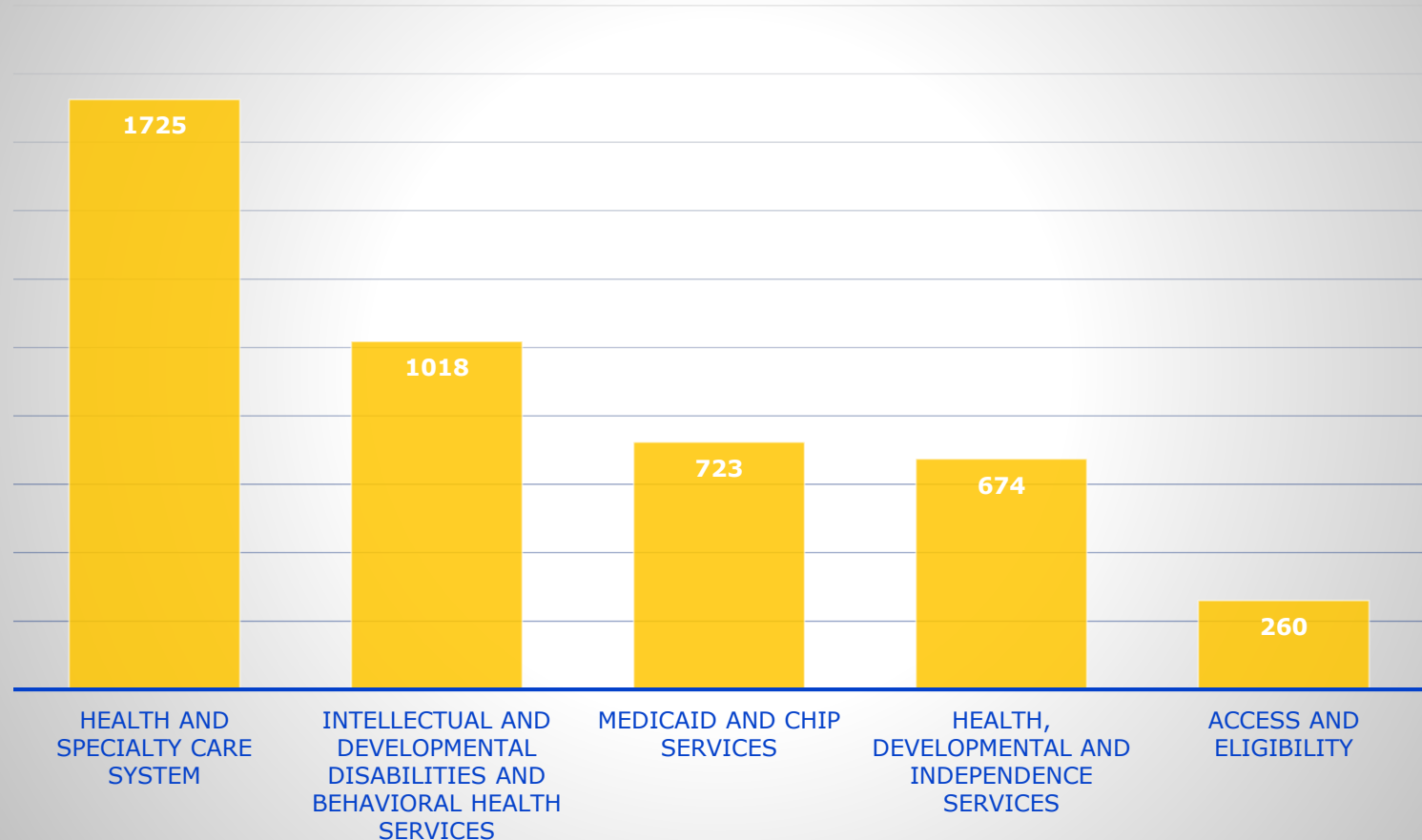
Contract Count for Top 5 Departments

**14,591 Total Active Contracts in Inventory as of
January 31, 2019**



Contract Count for Top 5 Departments (Excluding Enrollment Contracts)

5622 Total Active Contracts in Inventory on January 31, 2019
(Excluding Enrollment Contracts)



IT Modernization



1. Business user focus - improve relationships with customers by communicating and meeting their needs faster
2. Develop long-term alignment with customer business strategy – innovation, modernization, roadmaps
3. Improve security and risk posture
4. Data utilization - open data, analytics, data-based decision support
5. Standardization - level and align workloads and reduce cost
6. Work smarter not harder - improve efficiencies and business processes
7. Recruit, retain, and train staff
8. Recognize staff for successes, train for appropriate skill sets, and improve accountability
9. Support HHS values - accountability, collaboration, client focus, independence, stewardship, transparency, diversity
10. Support Department of Information Resources (DIR) State Strategic Plan - reliable and secure services, mature state IT resources management, cost-effective and collaborative solutions, data utility, mobile and digital services

Key statistics consists of:

- Approximately 500 IT contracts and purchase orders (some of the largest IT contracts in the state)
- 58,000 phones
- Over 800 sites throughout TX
- 6,220 servers
- 44,000 computing devices and users
- 4.5 Pb total data
- 600 websites
- 500 + business programs

IT Contracts



- IT works with Legal and Procurement & Contracting Services (PCS) to ensure compliance with all requirements specific to IT purchases and contract monitoring
- New IT contracts have standard terms for disaster recovery, security, and data center hosting
- Contracts also include liquidated damages for performance and transition/turnover terms as appropriate
- Contract monitoring includes risk assessments, enhanced monitoring, and submission of vendor performance tracking information
- The Chief Information Officer has requested an internal audit of all IT procurements and contracts